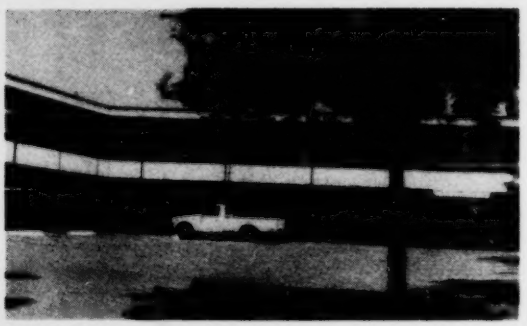
T O U R I S M

BRITISH COLUMBIA MOTEL INDUSTRY

STATUS REPORT



ECONOMIC & REGIONAL DEVELOPMENT AGREEMENT

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The responsibility for the content of this report is the consultant's alone, and the conclusions reached herein, do not necessarily reflect the opinions of those who assisted during the course of this investigation or the federal and provincial governments which funded the study.

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HON. BILL REID, MINISTER

BRITISH COLUMBIA

MOTEL INDUSTRY

A STATUS REPORT

prepared for:

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prepared by:

The ECONOMIC PLANNING GROUP of Canada

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PREFACE

For several decades the motel sector has formed a large component of British Columbia's tourist accommodation industry. Throughout this period, the motel sector has experienced considerable change in its physical appearance, clientel, management, markets and financial stability. Properties have tended to get bigger, more amenities have been added, and chain and referral services have sprung up. Furthermore, markets have become more diverse with the increase in travelling retired persons, the meetings market and group tour business.

In spite of these development and market trends, there has also been considerable stability and continuity as motels continue to be the preferred mode of accommodation for families and commercial travellers. Their highway orientation, configuration and rate structure continues to position the "motel" as a high priority choice for a relatively large segment of the motoring public.

Changes in the economy have also continued to shape the evolution of the motel sector. The prosperity of the 1960's and 1970's generated expansions of existing properties, construction of new properties and a large turnover in ownership. The recessionary period of the 1980's saw many distress sales, foreclosures and bankruptcies. Many more properties have been operating from month to month, on the brink of financial collapse.

However, throughout all these changes in travel trends, lifestyles and the economy, the motel industry continues to survive, providing accommodation in all areas of the province to a broad cross section of travellers.

In spite of its age and significance within the travel industry, the motel sector has traditionally been very poorly documented in terms of operational performance and industry trends. This problem has plagued the industry for years, since there has been no descriptive analysis of its status nor any measures of its performance. This report is designed to address these issues.

This report should not be the end of the process, however, as it provides only a "snapshot" of the industry's current status and health. Regular ongoing monitors will be required if the motel industry is to measure its future performance, and be in a position to adapt to a changing economy, changing markets and changing traveller expectations.

ACKNOWLEDGEMENTS

The ECONOMIC PLANNING GROUP would like to acknowledge the assistance of all the persons contacted during the preparation of this report. The author would particularly like to thank all those motel operators who took the time to complete the mail-out survey. This was a comprehensive questionnaire delving into some confidential issues, and the cooperation of the responding moteliers is gratefully acknowledged.

DISCLAIMER

This report is intended as a reference manual for the motel industry, acting as a management, development and operational aid. It is not designed to set standards or policies but represents an analysis of the current status of the motel sector, based on secondary information and a sample survey of operators. Neither The ECONOMIC PLANNING GROUP of Canada nor the B.C. Motels, Resorts Association produced the original data from which the following analysis is made. Although it is assumed to fairly represent the facts, The ECONOMIC PLANNING GROUP and the B.C. Motels, Resorts Association disclaim any responsibility for errors in the source information.

PROVINCIAL TOURISM REGIONS

A. Vancouver Island
B. Southwestern B.C.
C. Okanagan/Similkameen
D. Kootenay Boundary
E. Thompson/Shuswap
F. Cariboo/Chilcotin
G. Yellowhead 16
H. Peace River/Alaska Highway
I. B.C. Rocky Mountains

MOTEL STUDY REGIONS

REGION	DESCRIPTION
A	VANCOUVER ISLAND
B	SOUTHWESTERN B.C.
C,D,I	SOUTHERN INTERIOR
E,F,H,G	CENTRAL INTERIOR

1.0 INTRODUCTION

1.1 BACKGROUND

The British Columbia motel sector is a component of the overall tourism accommodation industry, and numbers nearly 800 properties. These range from facilities of only a few units to properties with in excess of 100 units.

Motels are located in all parts of the province from downtown Vancouver to the smallest rural communities. Often motels form the only tourist/transient accommodation available in small and/or northern communities or along highways between communities.

Motels exist in a wide variety of styles and configurations offering an equally wide range of services and calibers of service. Services range from basic sleeping rooms to partial and full housekeeping units, coffee shops and restaurants, meeting rooms, swimming pools and other recreational facilities. Calibers of operation range from very competent owner/managers and their families to professional resident managers to less sophisticated or well trained management.

Motel markets include a wide range of people travelling for business, pleasure and personal reasons. Typical clientel would include singles, couples, and families travelling for pleasure; people travelling for business or meeting purposes; people on group tours; and work crews. A market for many motels in the off season is monthly rentals to persons not able to find or not interested in other semi-permanent rental accommodation.

In spite of all these differences, motels are united by many similarities. By definition, they usually have separate room access, private rooms with private bath, daily maid service, and are oriented towards the automobile traveller. They may have some form of housekeeping (kitchen facilities) and may provide food and beverage services.

Another fact about the motel industry is that it is very poorly documented in terms of its operational performance, management, markets, contribution to the travel industry, and economic impact. Very few regular statistics, reports or monitors of the motel industry are available, either from government or the private sector.

This lack of information has an impact on existing operators, on new people entering the industry, and on the financial community. Existing operators are not able to compare their properties to provincial or regional averages for occupancies, expense norms or financial ratios. This lack of comparability puts the motel owner at a competitive disadvantage since he cannot evaluate his motel's performance against industry averages. New people entering the motel business also suffer from the same lack of information making it difficult to evaluate motel performance expectations based on the "typical" situation in the province. This lack of reliable comparisons also presents a major problem for the financial institutions which supply development and operational financing for the industry.

This lack of information makes the motel sector a relatively unknown component of the travel industry. It is difficult to propose solutions to problems that cannot be accurately documented. It is also difficult for the industry to get the attention it deserves when its status cannot be accurately measured or recorded.

The intent of this project is to provide a "picture" of the motel industry by describing its current status, operations and management.

1.2 OBJECTIVES

The overall purpose of the project is to define the current status of the motel industry and discuss its problems and opportunities. The specific objectives are as follows:

- Describe the evolution of the motel industry
- Discuss economic, demographic and travel trends
- Discuss development trends
- Assess motel management and operations
- Describe motel markets and marketing
- Evaluate the economic impact of the motel industry
- Report on the above issues presenting observations, conclusions and recommendations.

Another "objective" of this project is to use the report to inform motel operators about the status of their industry. Consequently, copies of the summary report were prepared and made available to all members of the B.C. Motels, Resorts Association.

1.3 SCOPE

This project is designed to document the past evolution, current health and future outlook for the motel industry. Data sources have included both existing information and original surveys. The existing data sources included both published and unpublished information available through the federal and provincial governments and through private industry sources.

The original survey work involved a sample of motels from around the province covering the full range of sizes, mix of amenities, locations, ages and ownership types. This sample was partially random in its selection and partially by specific criteria to ensure a match to the entire provincial inventory of motels.

The general categories of review in this study include:

- development
- operations
- marketing
- financial
- economic impact.

In terms of topics, the motel status report project is designed to look at a broad range of issues. Within each of the topics identified above are a number of specific issues which are also reviewed and analysed. These include:

- physical description of the motel industry by facilities, location and size categories
- evolution of the motel industry
- trends in development and operation
- operations practices
- occupancy rates
- geographic markets
- market segments
- marketing practices
- employment
- payrolls
- revenues
- net income
- expense norms
- financial ratios
- operator opinions.

The level of detail in the following analysis is designed to be sufficient to provide defendable and accurate analysis while still being cost-efficient to produce. The analysis of secondary source material was exhaustive in terms of the exploratory research while the actual amount of information available turned out to be not particularly complete.

The sample survey included forty-four properties from around the province. The survey involved a mail questionnaire sent to 134 pre-selected motels for a response rate of 33%. Although the sample is relatively small, a considerable amount of detailed information on a number of topics was collected.

Comparison of the sample to the motel inventory indicated a sampling bias did occur. Although attempts were made to ensure the sample was random and adequately represented the motel sector, responses tended to be received from the larger properties. (The average size of motels in the sample was 32.5 units while the average size within the motel industry is 23.8 units.)

Also, due to the volunteer nature of the survey, it is suspected that responses tended to be generated from the more well managed properties. Consequently, our survey results are skewed towards these slightly larger, better administered motels.

This project deals exclusively with the category of roofed transient accommodations classed as motels. The term motel generally refers to the highway traveller oriented overnight accommodation providing private sleeping quarters and bath, with a separate outside entrance.

The Statistics Canada definition as part of the Standard Industrial Classification (SIC #911) is worded as follows:

> "Establishments operating three or more motel type rooms and less than six hotel and/or hotel-motel type rooms. Motel rooms are accessible from the exterior only.

The definition or explanation typically used by the provincial government and the B.C. tourism industry is as follows:

> Transient accommodation facilities providing private sleeping rooms and bathrooms, with separate outside access and providing daily maid service. They may offer housekeeping facilities and are typically oriented to automobile travellers.

In addition to "motels" which are typically multi-units in a single building, are another category of tourist accommodation loosely described as cottages, cabins, auto courts and tourist courts. These facilities cover a range of properties that cater mainly to tourists. Their common ingredients are the larger unit size, often in separate buildings and often with full housekeeping facilities. They are usually in rural locations but are not remote enough to be classed as outfitters or hunting/fishing camps.

2.0 MOTEL EVOLUTION

Motels form a large and well established segment of the travel industry, but how did the motel industry get started ... how have motels changed over the years ... where are they located? To trace motel evolution, we reviewed several old publications. This included over forty years of the B.C. Tourist Accommodation Directory plus two dozen issues of the B.C. Government Travel Bureau Newsletter.

2.1 HISTORY OF DEVELOPMENT

One of the first mentions of transient accommodation was found in the publication "Highways, Motor Camps and Stopping-Places in British Columbia" printed in 1926. It did not list specific properties, but indicated the availability of accommodations in various towns around the province.

By the 1940's, a directory of tourist accommodations had been prepared. The 1940 issue listed about 250 facilities that were called auto camps, auto courts, fishing camps, tourist camps and auto parks. The name of the publication is also indicative of the types of accommodation available since it was called "Auto Courts, Stopping Places, Resorts and Lodges in B.C.."

Typical rates were in the range of $1.25-$3.00 per day. The geographic lists were also revealing about the popular vacation spots as there were only three properties listed in Penticton and nine in Qualicum. The first mention of a "motel" is in the 1941 edition, in Victoria.

In the early 1950's, the predominant reference in the accommodation directory was to auto courts although "motels" were mentioned regularly. The B.C. government publication "Auto Courts and Resorts in B.C.," 1952, listed about 1,200 properties, including fishing camps. Typical rates were in the $3.00 to $5.00 range per night. The typical facility was small, averaging between five and ten units. (It is noteworthy that a star rating system was implemented in about 1952, grading the properties.)

By the early 1960's, the number of listings in the accommodation directory had grown to about 1,500. According to the 1960 version of what was then called the "B.C. Directory of Tourist Accommodation," the majority of properties were referred to as motels. Rates ranged between $6.00 and $9.00 and the typical size was still under 10 units.

By 1970, the publication "B.C. Tourist Directory" listed just over 2,000 properties of which about one-half were motels. Rates ranged between $10 and $25 and the typical size had grown to the 10-15 unit range. The star rating system was dropped in 1970.

By 1980, the publication had changed to the "Accommodation and Campground Directory of B.C.." It listed about 800 properties classed as motels and the average price was $30 per night. By 1986, the number of motels listed in the B.C. Government "Accommodations 1986" had declined to about 735 properties.

Getting a totally accurate measure of the number of motels in the province in any given year is made difficult by the voluntary nature of registration in the government directory and the fact that many properties did not meet the criteria for inclusion. However, it is probably safe to assume that the government directories were 80% to 90% complete. However, assuming the coverage has been comparable over the years, the number of motels in the province has been declining steadily for at least the last quarter century.

2.2 MOTEL AGE

Although the motel industry has been around for decades, new motels are consistently being built. Growth from the 1940's to the 1960's was steady with 59 new properties built in the 1940's and 275 built in the 1960's. The number of new properties declined to 161 in the 1970's and showed a further decline to 75 throughout the 1980's. (See Exhibit 2-1.)

EXHIBIT 2-1

DATE OF MOTEL CONSTRUCTION BY DECADE

	REGION	DECADES						
		Pre 1940	1940+	1950+	1960+	1970+	1980-86	Total
A	Vancouver Island	7	13	31	36	37	14	138
B	Southwest B.C.	6	17	21	32	21	2	99
C	Okanagan-Smilkameen	6	12	28	36	20	47	150
D	Kootenay-Boundary	2	6	13	19	10	6	56
E	High Country	2	4	7	61	17	7	98
F	Cariboo-Chilcotin	1	1	12	14	13	-1	40
G	North by N.W.	0	2	9	31	19	0	61
H	Peace River-Alaska Hwy.	0	1	8	16	14	-4	35
I	B.C. Rockies	3	3	8	30	10	5	59
		27	59	137	275	161	75	736

Source: Ministry of Tourism, Recreation and Culture. Inventory of Tourist Accommodation Facilities. 1981.

Note: 1. The numbers reflect"registered" motels. Since the proportion of "registered" properties tends to vary from year to year, the figures should be used as a guide only.

2. The 1980-86 column has been calculated from the 1986 total less the earlier dates of construction.

2.3 MOTEL INDUSTRY OUTLOOK*

What is the future likely to hold for the motel industry? Although it is not possible to answer this question with any degree of certainty, its future is likely to be influenced by travel trends which are currently emerging. The following is a summary of trends which are expected to have a bearing on the motel industry over the next decade.

- Continued concern for health and fitness.
- Continued concern for the environment and the outdoors experience.
- Increasing interest in heritage and culture.
- Increased emphasis on market specialization, i.e. family, women, corporate, etc.
- Increase in the number of short duration trips for long weekends and mid-week periods.
- Decrease in the overall significance of the traditional summer vacation.
- Continuation of the summer "school holiday" period of focus for family trips.
- Expansion of working holidays, combination pleasure/business trips, sports oriented holidays, and trips for educational purposes.
- Stabilization of the automobile as the preferred mode of travel.
- Length of trips likely to decrease while frequency to increase.
- Travellers to become increasingly sophisticated about the range of travel products.
- Continued price sensitivity for all travel products and services.
- Increased use of price discounting as a marketing technique.
- Increasing travel by seniors, and increasing importance of this group as a travel market.
- Value for money to continue importance to the travelling consumer.
- Increased impact of international events on global tourism, i.e. political unrest, terrorism, currency exchange rates, etc.
- Increasing move toward full-service facilities where accommodation, food, recreation and entertainment are contained in one location.
- Increasing concern for energy efficiency, security, safety (fire) and comfort.
- Increasing financial participation in tourism at the municipal, regional, provincial and federal levels of government.
- Increasing equity participation in tourism facilities by financial institutions.
- Increasing emphasis on facility design.
- Increase in small commercial lodges, guest houses or pension style properties.
- Increase in the number and variety of commercial attractions to augment the traditional scenic appeal of British Columbia.
- Increase in bed and breakfast operations.

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*Excerpts from the Travel Industry Norms Manual, TIABC, 1986,p.12-14.

- Increase in franchising as a development vehicle.
- Increasing conversion of older tourism facilities to accommodate markets of the 1980's and 1990's.
- Increasing emphasis on development of events and attractions as travel generators.
- Increasing involvement of local governments and special interest groups in tourism development planning.
- Increasing consolidation of tourism accommodation facilities as older, out-moded properties close and the efficient properties expand.

2.4 CONCLUSIONS

- The word motel as defined by the dictionary (Merrian-Webster) states: "a hotel in which the rooms are accessible from an outdoor parking area." It appears to have evolved from the words motor for motor car or automobile, and hotel.

- "Motels" first use in B.C. accommodation directories was in the early 1940's while its more common usage did not occur until the 1950's and 1960's.

- The general evolution of the name "motel" appeared to start with auto camps, then auto courts, followed by motor courts and finally motels.

- Auto courts were specially designed auto camps involving a square of single or duplex units surrounding an interior courtyard. Parking was typically around the outside.

- The construction of new motels has occurred continually since before the Second World War. Growth occurred steadily from the 1940's to 1960's while the number of new properties being constructed has declined since the 1970's.

- There are a variety of trends shaping the motel industry of the 1990's. Some of the more significant are the concern for health, fitness, and the environment; interest in heritage and culture; market specialization; continued focus on the family summer vacation; continued price sensitivity; impact of global events; increased importance of quality design and appearance; continued phasing out of older, non adaptable facilities, and the expansion of efficient properties.

3.0 PHYSICAL DESCRIPTION

3.1 SIZE AND DISTRIBUTION

Canada has a total of 3,634 motels providing some 75,405 guest rooms*. British Columbia has 768 motels providing 17,623 rooms.* These 1984 figures result in motel average sizes of 20.7 units nationally and 22.9 units in B.C.

The British Columbia Accommodation Guide lists 736 motels in 1986 providing 17,497 units for an average size of 23.8 units. (For consistency purposes we have used the 736 figure throughout this report.)

Regionally, the largest concentrations of motels are on Vancouver Island and in the Okanagan, accounting for approximately 20% each of the provincial total of motels and motel units. The Lower Mainland and High Country (Thompson-Shuswap) have the next greatest number of motels, with just over 13% each. (See Exhibit 3-1.)

EXHIBIT 3-1

NUMBER OF MOTELS AND UNITS BY REGION**
(1985)

REGION	MOTELS	PERCENT	UNITS	PERCENT
A Vancouver Island	138	18.8%	3,438	19.5%
B Southwestern B.C.	99	13.5	2,746	15.7
C Okanagan Similkameen	150	20.4	3,600	20.6
D Kootenay Country	56	7.6	910	5.2
E High Country	98	13.3	2,406	13.8
F Cariboo	40	5.4	839	4.8
G North by Northwest	61	8.3	1,422	8.2
H Peace River Alaska Hwy.	35	4.7	1,018	5.8
I B.C. Rocky Mountain	59	8.0	1,118	6.4
Total Province	736	100.0%	17,497	100.0%

* Statistics Canada. Traveller Accommodation Statistics. 1984, p. 20-21.

** B.C. Ministry of Tourism, Recreation and Culture. Tourist Accommodation Guide, 1985.

By comparison, motels make up 38.3% of the total number of accommodation properties in the province and comprise 23.2% of the total units.

EXHIBIT 3-2

COMPARISON OF ACCOMMODATION TYPES (1985)

TYPES	PROPERTIES		UNITS	
Motels	736	38.3%	17,497	23.2%
Hotels	346	18.1	27,326	36.2
Resorts	482	25.1	6,513	8.6
Campgrounds	353	18.5	24,133	32.0
Total	1,917	100.0%	75,469	100.0%

3.2 TRENDS

Over the last decade the number of motels has decreased in Canada and in British Columbia. From the mid 1970's (1976) to the mid 1980's (1984) the number of motels in Canada declined from 4,269 to 3,634, a decrease of 14.9%. The number of what Statistics Canada defines as Tourist Courts and Cabins declined from 2,500 to 1,965 over the same period - a 21.4% decrease.

The same situation is occurring in British Columbia as motels have decreased from 888 properties in 1976 to 768 in 1984 - a decline of 13.5%. British Columbia's tourist courts and cabins registered a more dramatic decline, reducing from 312 to 184 over the same period - a 41.0% decline.

Statistics on motels registered by the provincial government for publication in the B.C. Accommodation Guide show the number of registered properties declined from 826 to 736 - a 10.9% decline from 1976 to 1986. The corresponding increase in actual units was over 1,000 units or 6.2%.

EXHIBIT 3-3

TRENDS IN MOTEL INVENTORY

YEAR	B.C.		CANADA	
	MOTELS	TOURIST COURTS & CABINS	MOTELS	TOURIST COURTS & CABINS
1976	888	312	4,269	2,500
1977	875	279	4,167	2,353
1978	856	254	4,102	2,443
1979	845	218	4,049	2,153
1980	817	194	3,945	2,005
1981	799	198	3,904	1,992
1982	787	185	3,844	2,030
1983	804	188	3,836	2,033
1984	768	184	3,634	1,965

Source:

Statistics Canada, Travel, Tourism & Outdoor Recreation, 1980 and 1981 Cat. no. 87-401 p. 115.
Statistics Canada, Tourism and Recreation, 1984 Cat. no. 87-401 p. 85.
Statistics Canada, Tourism and Recreation, 1986 Cat. no. 87-401 p. 143.

3.3 RECREATIONAL FACILITIES

Recreational facilities have typically been developed at motels to develop a competitive advantage or to broaden their appeal to other market segments. There has been a general increase in all categories of recreational amenities over the past ten years as illustrated by the tally of swimming pools, sauna/swirlpools, games rooms and tennis courts. (See Exhibit 3-4.)

Indoor swimming pools have made a large relative increase, increasing from 28 in 1976 to 55 in 1986. Outdoor pools have tended to be more numerous, while their increase has been more modest from 120 in 1976 to 132 in 1986. Saunas and swirlpools and hot tubs have increased significantly, from 52 in 1976 to 96 in 1986. Games rooms have remained stable at 28. Tennis courts have shown the greatest relative gain, increasing from 5 in 1976 to 28 in 1986.

EXHIBIT 3-4

NUMBER OF MOTELS WITH VARIOUS RECREATIONAL FACILITIES BY REGION

	REGION	TOTAL MOTELS	FACILITIES				
			Indoor Pool	Outdoor Pool	Sauna	Games Room	Tennis
	(1976)						
A	Vancouver Island	161	7	18	13	7	1
B	Southwestern B.C.	104	4	16	3	2	1
C	Okanagan	167	8	43	12	5	3
D	Kootenays	133	2	17	6	7	0
E	Thompson-Shuswap	104	2	22	7	5	0
F	Cariboo	49	2	1	4	1	0
G	Yellowhead North	70	3	2	6	3	0
H	Peace River-Liard	38	0	1	1	0	0
	Total	826	28	120	52	28	5
	Percentage	100%	3.4%	14.5%	6.3%	3.4%	0.6%
	1986						
A	Vancouver Island	138	9	16	15	5	2
B	Southwestern B.C.	99	5	16	6	0	5
C	Okanagan	150	20	59	32	11	11
D	Kootenay Country	56	4	10	6	2	3
E	High Country	98	9	21	14	5	1
F	Cariboo	40	3	2	4	2	0
G	North by N.W.	61	1	1	8	1	0
H	Peace R. Alaska Hwy.	35	0	1	5	2	2
I	Rocky Mountain	59	4	6	5	1	4
	Total	736	55	132	96	29	28
	Percentage	100%	7.5%	19.9%	13.0%	3.9%	3.8%

3.4 TRAVELLER SERVICES

Another way motels have competed with hotels and motor hotels has been to provide a more complete range of traveller services. These services include food and beverage outlets and meeting/banquet rooms. A comparison between 1976 and 1986 shows the number of motels with restaurants has remained stable while the number of coffee shops and licenced lounges has declined. Similarly the number of motels with facilities capable of handling banquets or meetings has also declined. These declines are relatively consistent across all regions of the province.

EXHIBIT 3-5

NUMBER OF MOTELS WITH VARIOUS HOSPITALITY FACILITIES BY REGION

(1976)

	REGION	TOTAL MOTELS	TRAVELLER SERVICES					
			Restaurant	Coffee Shop	Licenced Lounge	Pubs	Banquet Room(s)	Meeting Room(s)
A	Vancouver Island	161	15	12	2	0	11	13
B	Southwestern B.C.	104	15	8	3	0	3	3
C	Okanagan	167	7	4	0	0	2	2
D	Kootenays	133	13	7	7	1	8	8
E	Thompson-Shuswap	104	17	9	2	0	6	3
F	Cariboo	49	8	8	1	0	3	3
G	Yellowhead North	70	10	11	1	0	6	6
H	Peace River-Liard	38	7	8	1	0	0	0
	Total	826	92	67	17	1	39	38
	Percent	100%	11.1%	8.1%	2.0%	0.1%	4.7%	4.6%

(1986)

A	Vancouver Island	138	14	7	0	1	1	4
B	Southwestern B.C.	99	11	5	0	1	1	3
C	Okanagan	150	10	5	1	0	2	8
D	Kootenay Country	56	10	4	3	0	1	6
E	High Country	98	14	5	0	1	2	3
F	Cariboo	40	8	4	1	2	0	1
G	North by N.W.	61	13	6	2	0	1	4
H	Peace R./Alaska Hwy.	35	9	2	1	0	1	1
I	Rocky Mountain	59	4	1	0	0	0	0
	Total	736	93	39	8	5	9	30
	Percent	100%	12.6%	5.2%	1.0%	0.7%	1.2%	4.1%

3.5 SIZE CATEGORIES

The B.C. motel industry has historically been characterized by small properties. As noted earlier, the average size motel is only slightly over 20 units. In terms of size categories, 4 out of 10 motels have fewer than fifteen units. A further one-quarter have between 16 and 25 units, while less than 10% have greater than 50 units.

Although motels tend to be small, the trend is towards larger properties. From 1981 to 1986 the number of properties in the 1-15 units category dropped from 46% to 41% while those in the 16-25 and 26-50 unit categories increased slightly. The average size increased 23.1 units to 23.8 units over the same five year time span.

EXHIBIT 3-6

MOTEL SIZE CATEGORIES BY REGION

(1981)

	REGION	TOTAL MOTELS	SIZE CATEGORIES				
			1-15	16-25	26-50	51-75	76+
A	Vancouver Island	159	79	31	33	12	4
B	Southwestern B.C.	111	39	32	21	15	4
C	Okanagan-Smilkameen	140	58	36	38	7	1
D	Kootenay Boundary	55	38	12	5	0	0
E	Thompson-Shuswap	105	48	28	21	7	1
F	Cariboo	44	15	18	8	3	0
G	Yellowhead North	67	30	16	15	5	1
H	Peace River-Liard	47	23	5	14	3	2
I	B.C. Rockies	57	33	7	16	1	0
	Total	785	363	185	171	53	13
	Percent	100%	46.2%	23.6%	21.8%	6.7%	1.7%

(1986)

A	Vancouver Island	138	58	32	35	9	4
B	Southwestern B.C.	99	36	22	24	16	1
C	Okanagan-Smilkameen	150	61	37	42	7	3
D	Kootenay Boundary	56	33	16	7	0	1
E	High Country	98	30	35	23	9	1
F	Cariboo	40	15	16	6	3	0
G	North By N.W.	61	27	15	12	6	1
H	Peace R./Alaska Hwy.	35	14	6	10	4	1
I	B.C. Rockies	59	31	14	14	0	0
	Total	736	305	193	173	54	11
	Percent	100%	41.5%	26.2%	23.5%	7.3%	1.5%

3.6 DEVELOPMENT

Another measure of the physical description of the motel industry is the age of the plant. Our survey indicated the average motel in B.C. was built in 1967, or is 20 years old. Our sample included properties that were built between 1912 and 1985.

EXHIBIT 3-7

YEAR BUILT AND YEAR BOUGHT

REGION	YEAR BUILT	YEAR BOUGHT
Vancouver Island	1968	1979
Southwestern B.C.	1966	1974
Southern Interior	1967	1980
Central & Northern Interior	1966	1979
Average	1967	1978

Respondents to the motel survey were asked if they had renovated or expanded their motel over the past five years. Over two-thirds or 68% indicated they had. The largest category of renovations included the refurbishing of units with 57% having improved their units. A further21% added units while about 10% added recreational facilities.

In terms of planned renovations or expansions over the next two years (1987 and 1988), 44% of motel respondents indicated changes were planned. The most popular were refurbishing units (31%), adding units (31%), adding a restaurant/lounge (14%), or adding recreational facilities (7%).

3.7 CONCLUSIONS

- British Columbia has 736 motels providing 17,497 units of accommodation for an average size of 23.8 units. Motels are located in every region of the province with the greatest concentrations on Vancouver Island and in the Okanagan. Motels comprise nearly four out of every ten accommodations properties in the province and make up nearly one-quarter of the total units.

- Over the last decade, the number of motels in British Columbia has declined nearly 14% from 888 to 768 (1976 to 1984) while the number of tourist courts and cabins has declined by over 40%.

- In terms of recreational facilities, indoor swimming pools have made a large relative increase, increasing from 28 in 1976 to 55 in 1986. Outdoor pools have tended to be more numerous, while their increase has been more modest from 120 in 1976 to 132 in 1986. Saunas and whirlpools and hot tubs have increased significantly, from 52 in 1976 to 96 in 1986.

- Hospitality services including food and beverage outlets and meeting rooms appear to have made a relative decline from 1976 to 1986. Just over one motel in seven has a food service outlet while those with licenced lounges or pubs are almost negligible.

- In terms of size categories, four out of ten motels have fewer than fifteen units. A further one-quarter have between 16 and 25 units, while less than 10% have greater than 50 units. The average size has increased from 23.1 to 23.8 from 1981 to 1986.

- The average size of the motel plant is 20 years old while the average length of ownership is nine years. Over two-thirds of moteliers have renovated or expanded their facilities in the last five years while nearly one-half are planning renovations or expansions over the next two years.

4.0 OPERATIONS AND MANAGEMENT

How has the operation and management of today's motels changed over the years? Probably quite a lot, but, according to the following quote, which was written nearly forty years ago, perhaps not as much as one would think.

> "Entering the motel business calls for a lot of serious thought and careful study. This business which for a few of its pioneer years was one which almost anyone could enter with hardly more than a quick look over one's shoulder has now attained such high standards of service that the newcomer must approach it with utmost caution.
>
> "The motel's competition is no longer confined to its immediate vicinity. Today, the motel is compared not only to a nearby hotel or another motel; it must stand up in the guest's judgment against motels thousands of miles away. And motel service standards have risen so high even within the past few years that every new motel that enters the field from here on in must at least equal the best of those standards or it cannot expect to serve guests well or make a profit for the operator.
>
> "In a word, the day of shoe-string starts in the motel business is dead and gone. Today only the person with substantial financing and a clear-cut grasp of what the future holds should consider entering this field ... During the next five years it is confidently expected that the number of motel shelter units will be doubled. These will be first class units, designed, constructed, equipped, furnished, and decorated to meet the highest possible standards."*

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*American Motel Magazine, November 1949, as quoted in the B.C. Government Newsletter, No. 18. Spring 1950.

4.1 MANAGEMENT

In terms of management, our sample survey depicts that the vast majority of motels (81%) are owner-operated. This proportion generally holds true across all regions of the province with the Central/Northern Interior Region having a slightly higher proportion at 92%. Independent motels (as opposed to chains) also predominated in our sample at 75%. This is actually considerably below the total as indicated by the Ministry of Tourism, Recreation & Culture registration of 92%.

Moteliers in B.C. are generally well established having been in the accommodation business for an average of 10.5 years. The range of our sample respondents was from 2 years to 26 years. The variation by region was almost non-existent.

When asked how they acquired their motel management experience, over two-thirds (68%) said they learned "after purchasing their motel." Nearly one-third (32%) had experience from owning or managing other motels. Only just over one-quarter (27%) have taken any kind of courses or training seminars.

4.2 TRAVELLER SERVICES

The services available to travellers and the motel's "house policies" are important ways management can influence the market and attempt to outdo the competition. Services or in-room amenities include housekeeping facilities (kitchens or kitchenettes), air conditioning and the provision for wheelchair access. House policies include chain or referral service membership, acceptance of credit cards, tour discounts, travel agent commissions, and policies regarding pets.

Over the ten year period compared in our analysis, there have been increases in some categories and decreases in others. In terms of in-room facilities, the proportion with housekeeping units has gone down from 86% in 1976 to 77% in 1986, while the number with air conditioned units rose from 32% to 41% over the same period. The number with wheelchair access also increased from 13% to 28% over the same ten year time-span.

House policies have also varied. The proportion of chain members increased slightly to 8%, while those accepting credit cards increased from 71% to 79%. Surprisingly, the proportion accommodating tours or offering a tour discount actually decreased. Those paying a travel agent's commission is still very low although it

EXHIBIT 4-1

NUMBER OF MOTELS WITH VARIOUS TRAVELLER SERVICES BY REGION

(1976)

REGION	TOTAL MOTELS	SERVICES/POLICIES								
		Credit Cards	Chain Member	House-keeping	Air Cond.	Tour Groups	Tour Disc.	Agent Comm.	Pets	Wheel-Chairs
A Vancouver Island	161	103	7	156	3	44	43	29	99	21
B Southwestern B.C.	104	75	6	86	12	11	9	12	65	10
C Okanagan-Smilkameen	167	123	6	162	121	55	40	28	97	4
D Kootenays	133	93	8	91	45	80	63	24	102	45
E High Country	104	65	13	91	58	24	20	11	87	6
F Cariboo	49	36	3	39	13	33	32	14	41	-
G North by N.W.	70	63	8	61	8	45	29	14	61	14
H Peace R./Alaska Hwy.	38	25	3	24	3	17	12	6	30	6
Total	826	583	54	710	268	309	248	138	582	106
Percent		70.6%	6.5%	86.0%	32.4%	37.4%	30.0%	16.7%	70.5%	12.8%

(1986)

A Vancouver Island	138	119	7	125	6	34	36	48	47	33
B Southwestern B.C.	99	90	11	84	37	33	31	32	48	37
C Okanagan-Smilkameen	150	133	13	142	126	45	46	46	54	41
D Kootenay Boundary	56	51	2	48	29	16	17	17	45	24
E High Country	98	90	11	82	74	34	20	24	59	34
F Cariboo	40	34	5	36	17	14	12	9	28	10
G North by N.W.	61	58	7	48	15	16	13	14	42	19
H Peace R./Alaska Hwy.	35	32	3	30	10	12	10	9	24	9
I Rocky Mountain	59	47	2	43	24	18	16	15	33	20
Total	736	655	61	639	338	222	201	215	380	228
Percent		79.3%	8.3%	77.4%	40.9%	26.9%	24.3%	26.0%	46.0%	27.6%

increased from 17% to 26%.* There has been a dramatic decrease in the number of motels allowing pets, decreasing from 70% in 1976 to 46% in 1986.

4.3 OWNERSHIP CHANGES

The motel industry tends to have a relatively high turnover rate in terms of ownership changes. Our sample included 37% who bought between 1981 and 1987, 40% in the 1975 to 1980 period and 23% prior to 1975. This results in a property turnover rate of over one-third (about 35%) every five years over the last decade. Averaged to an annual basis the yearly turnover is just over 7%.

The average length of ownership is eight years (purchased the property in 1978). The turnover appears to be lower in the Lower Mainland (average year bought - 1974) and highest in the Southern Interior (average year bought - 1980).

Additional details on motel turnovers are provided through the provincial government registration forms for the Accommodation Guide. It tracks motel sales from 1970 to 1981.

Sales of motels can be a partial measure of the health of the sector as well as an indicator of the number of new owners entering the business. Trends throughout the 1970's generally followed the economy with motel sales rising from 35 in 1970 to 130 in 1974. The number of sales then declined to 44 in 1977, then started increasing to 124 in 1981 (the last year records were kept). Although records do not exist, it is understood that sales have declined substantially throughout the recession from 1982 to the present.

These motel sales represent between a 6% and 16% turnover in motel ownership annually. It is noted that these figures do not reflect the number of properties for sale, but those that actually sold. (See Exhibit 4-2.)

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*A report in the Autumn 1950 Government Travel Bureau Newsletter stated that 17% of B.C. "motel" operators use travel agents. This represents a static situation for over 35 years!

EXHIBIT 4-2

NUMBER OF MOTELS SOLD ANNUALLY FROM 1970 TO 1981 BY REGION

REGION	1970	1971	1972	1973	1974	1975	1976
Vancouver Island	9	7	14	25	15	25	26
Southwestern B.C.	3	6	9	10	15	17	10
Okanagan-Smilkameen	9	8	16	20	34	26	23
Kootenays	4	10	11	16	35	19	10
High Country	2	9	9	18	14	15	11
Cariboo	3	5	7	10	4	5	3
North by Northwest	2	3	4	5	8	9	3
Peace River/Alaska Hwy.	3	1	2	3	5	4	5
TOTAL	35	49	72	107	130	120	91

REGION	1977	1978	1979	1980	1981
Vancouver Island	8	13	16	10	24
Southwestern B.C.	9	6	12	16	10
Okanagan-Smilkameen	8	8	12	27	35
Kootenay Boundary*	4	3	5	13	11
High Country	3	9	10	15	18
Cariboo	2	6	6	7	5
North by Northwest	2	5	5	6	9
Peace River/Alaska Hwy.	6	4	5	6	6
B.C. Rocky Mountain	2	5	8	7	6
TOTAL	44	59	79	107	124

Note: Statistics have not been recorded since 1981.

*Represents West Kootenays only.

By comparison, the ratio of motel, hotel, campground and resort sales depict considerable variation, with campgrounds showing the lowest turnover and hotels/motels the highest. Reviewing two sample years of 1976 and 1981 shows a considerable increase in the proportion of motel sales while the ratio of sales in the other three categories was generally lower and more stable. (See Exhibit 4-3.)

EXHIBIT 4-3

SALES OF HOTELS, MOTELS, RESORTS AND CAMPGROUNDS

CATEGORY	1976			1981		
	Total Properties	Total Sold	Percent	Total Properties	Total Sold	Percent
Motels	826	91	11.0%	785	124	15.8%
Hotels	304	37	12.2	335	44	13.1
Campgrounds	283	20	7.1	556	41	7.4
Resorts	467	33	7.1	419	33	7.9
	1,880	181	9.6%	1,819*	242	13.3%

Note: Record keeping techniques differed between 1976 and 1981. Double counting of properties occurred by category in 1981 as a property with both motel units and campsites was tallied in both categories.

4.4 OCCUPANY RATES

Occupancy rates are perhaps the single most important indicator of motel performance. Participants in the survey were very cooperative in reporting this information as 39 out of 44 (89%) moteliers supplied figures, on the understanding they be kept strictly confidential. Our analysis has restricted its use to regional breakdowns where a minimum of six properties are combined together. Consequently, it is not possible to identify an individual motel.

Occupancy information is presented in three forms - annual occupancies for the last four years, quarterly occupancies for 1986, and monthly occupancies for 1986.

Annual occupancies for the province from 1983 to 1986 showed remarkable consistency, varying less than one percentage point from 55.2% in 1984 to 55.9% in 1986. Regional variations were considerable, however, as annual occupancies for 1986 ranged from 53.5% on Vancouver Island to 66% in the Lower Mainland (Expo related).

Over the four year period, occupancies within each region have remained relatively consistent. Vancouver Island stayed at 53%, the Southern Interior ranged between 55% and 59%, and the Central Interior between 52% and 59%. The Lower Mainland ranged between 57% and 59% annually with the exception of the effects of Expo during 1986 when occupancies for the year averaged 67%. (See Exhibit 4-4.)

EXHIBIT 4-4

ANNUAL MOTEL OCCUPANCIES, 1983-1986

YEAR	REGION				
	Vancouver Island	Lower Mainland	Southern Interior	Central Interior	Annual Average
1986	53.5%	66.8%	55.5%	51.9%	55.9%
1985	53.7%	56.7%	59.6%	53.8%	55.9%
1984	53.0%	59.0%	55.9%	53.8%	55.2%
1983	53.8%	57.5%	54.9%	59.0%	55.7%

Monthly occupancies were collected for 1986 and tabulated by region. The lowest month was December at 29.4% followed closely by November and January at 31% each. The busiest months were July and August at 79.8% and 82.3% respectively.

Regionally, there is a considerable amount of difference depending on the location in the province. February occupancies ranged from 34% on Vancouver Island to 41% in the Southern Interior. April ranged from 41% in the Lower Mainland to 49% on Vancouver Island. June ranged from 53% in the Southern Interior to 87% in the Lower Mainland (mainly as a result of Expo). (See Exhibit 4-6.)

EXHIBIT 4-6

MONTHLY MOTEL OCCUPANCY BY REGION

MONTH	Vancouver Island	Lower Mainland	Southern Interior	Central Interior	B.C. Total
January	27.4%	30.3%	33.5%	34.0%	31.4%
February	33.6	33.7	40.5	36.2	36.3
March	47.5	38.8	41.3	37.7	41.7
April	48.6	41.8	42.5	45.8	45.1
May	57.9	73.8	46.8	54.8	56.6
June	71.5	87.0	53.2	58.4	65.0
July	86.8	94.8	74.2	70.4	79.8
August	90.9	96.0	78.1	70.6	82.3
September	66.5	89.0	58.1	64.6	67.1
October	44.2	53.8	40.0	50.4	46.4
November	30.82	32.0	27.6	35.1	31.3
December	29.6	30.8	27.4	30.4	29.4
ANNUAL	53.5%	66.8%	55.5%	51.9%	55.9%

A third analysis of occupancies was prepared to show quarterly results. Even though the calendar quarters are not ideal, they do tend to approximate seasons. (See Exhibit 4-7.)

EXHIBIT 4-7

QUARTERLY OCCUPANCY

QUARTERS	Vancouver Island	Lower Mainland	Southern Interior	Central Interior	B.C. Total
1st (J,F,M)	36.2%	34.2%	37.2%	36.1%	36.1%
2nd (A,M,J)	59.7	67.7	50.6	52.9	56.5
3rd (J,A,S)	81.4	93.7	65.8	67.6	75.0
4th (O,N,D)	35.5%	38.8%	31.6%	38.5%	35.7%

Since occupancy information is such an important measure of performance, yet has historically been difficult to collect, respondents to the survey were asked if they would be willing to participate in an ongoing monthly monitor by supplying occupancy rates. Fifty-five percent said yes and twenty-eight percent said "perhaps". Only 18% refused.

Compared to hotels, B.C.'s motels have not performed as well. During 1986 B.C.'s hotel industry posted an industry average of 62.8% compared to the motel industry's 55.9% - a difference of 6.9%.

On a monthly basis, the discrepancy ranges from a low of 5.7% in August to a high of 19.7% in September. At no time of the year does the motel industry have higher occupancy rates than the hotel industry.

The annual figures from 1983 to 1986 indicate that the hotel sector has been much more able to rise from the recession. Hotel occupancies have risen steadily over the four year period at 7.6%, while motels have remained virtually stagnant. (See Exhibit 4.8)

EXHIBIT 4-8

B.C. HOTEL AND MOTEL OCCUPANCY COMPARISON

(1986)

MONTH	HOTELS[1]	MOTELS[2]	DIFFERENCE
January	41.9%	31.4%	10.5%
February	51.9	36.3	15.6
March	50.6	41.7	8.9
April	55.7	45.1	10.6
May	70.4	56.5	13.8
June	80.5	65.0	15.5
July	85.9	79.8	6.1
August	88.0	82.3	5.7
September	86.8	67.1	19.7
October	61.6	46.4	15.2
November	44.7	31.3	13.4
December	36.2	29.4	6.8
Annual	62.8%	55.9%	6.9%

EXHIBIT 4-9

ANNUAL OCCUPANCY COMPARISONS 1983-1986

YEAR	HOTELS[1]	MOTELS[2]	DIFFERENCE
1986	62.8%	55.9%	6.9%
1985	58.5	55.9	2.6
1984	57.1	55.2	2.0
1983	55.2	55.7	-0.5

Sources:

1. Based on a sample of about 120 hotels and motor hotels as surveyed by Pannell Kerr MacGillivray

2. Based on a sample of 44 motels as surveyed by the Economic Planning Group.

4.5 CONCLUSIONS

- Motels in B.C. tend to be owner-operated (81%) and independent (as opposed to chain affiliated) at 75%.

- Motel operator's average length of time in business is 10.5 years. Over two-thirds acquired their motel experience after purchase of their motel while only one-quarter have taken any courses or training seminars.

- Moteliers can influence their market through the in-room amenities offered and by their "house policies". The trend over the past ten years has seen a decrease in the number of kitchenette units and an increase in the number with air-conditioning and providing wheelchair access. The proportion of motels offering tour group discounts has decreased and those paying a travel agent's commission has increased, but still represents only one-quarter of the motel industry.

- Motel sales and ownership changes depict a high turnover rate of about 7% annually (over the past decade), ranging between 6% and 16%. The average length of ownership is eight years.

- Occupancy rates have remained low and very consistent for the last four years, averaging 56% and varying less than one percentage point provincially. Occupancies tended to be highest in the Southern Interior and lowest in the Central Interior.

- Monthly occupancies range from a low of 29% in December to 82% in August (1986). Quarterly occupancies ranged from 36% in the first quarter of the year to 75% in the third quarter.

- By comparison, B.C.'s hotel industry performs considerably better and has risen out of the recession much quicker. While the motel sector has remained static at 56% since 1983, the hotel sector has increased from 56% to 63% as of 1986.

5.0 MARKETS

Understanding motel markets involves knowledge of both the geographic market distribution and market segments. Information on both these market components were determined as part of the sample survey. Making use of this information is the subject of the section on marketing plans and marketing budgets.

5.1 MARKET AREAS

Geographic market areas were separated into B.C., Alberta, Other Canada, Pacific N.W., Other USA and Offshore. B.C. residents are by far the biggest market for motels averaging 55% and ranging between 45% in the Lower Mainland to 64% on Vancouver Island.

Alberta is the second largest market, averaging nearly 20%. The range in Alberta market share by region reflects travel distances, with Vancouver Island motels getting the fewest Alberta visitors at 11% and the interior regions the most at 24%.

Other Canadian provinces combine to form the third largest market averaging 10% of the total. This is followed closely by the Pacific Northwest region of the United States, comprising 9%. The regional distribution is similar for both these market categories with the Lower Mainland getting about 15% of its market from each of these areas while the other three regions are consistently in the 7% to 11% range.

The remainder of the U.S. as a market area accounts for an average of 5% of total business, but with a large range from just 2% in the Southern Interior Region to 10% for the Lower Mainland.

These distributions are considerably different than the B.C. market profile which records 42% B.C. residents, 31% Americans, 23% Canadians and 4% Offshore.

EXHIBIT 5-1

GEOGRAPHIC MARKET DISTRIBUTION

MARKET AREAS	REGIONS				
	Vancouver Island	Southwestern B.C.	Southern Interior	Central Interior	Total
B.C.	64%	45%	55%	54%	55%
Alberta	11	14	24	24	19
Other Canada	7	15	10	8	10
Pacific N.W.	11	14	8	7	9
Other U.S.A.	4	10	2	6	5
Offshore	3	2	1	1	2
Total	100%	100%	100%	100%	100%

MARKET AREAS BY REGION

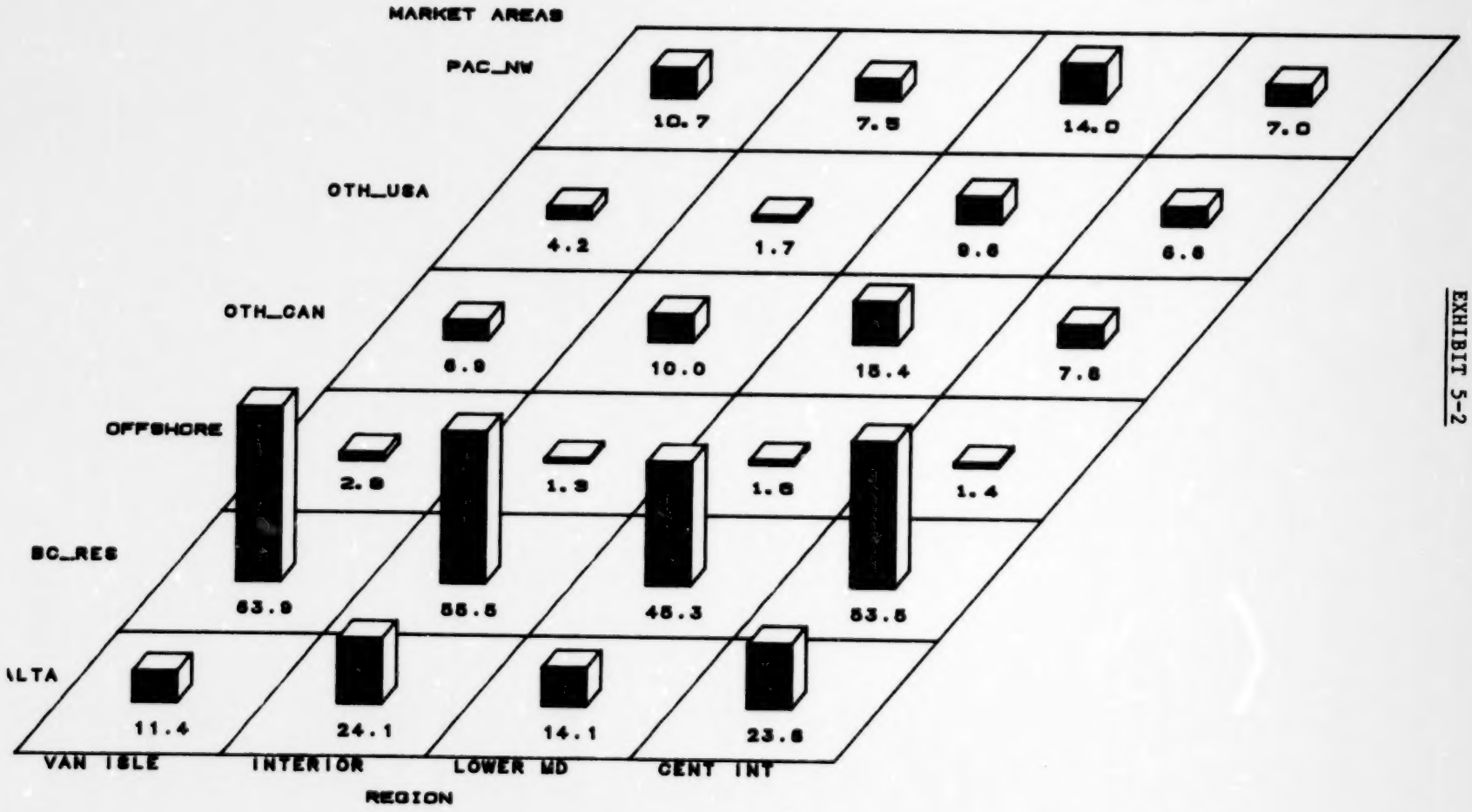

EXHIBIT 5-2

5.2 MARKET SEGMENTS

Independent pleasure travellers comprise the largest segment of the B.C. motel market with 6 out of 10 rooms rented to tourists. The regional range is significant with one-half the market in the Central Interior being tourist business and over three-quarters on Vancouver Island.

Commercial business is a distant second in terms of room rentals, averaging 16% and ranging from 13% on Vancouver Island to 22% in the Lower Mainland.

Monthly rentals form the next largest market segment at 10%. The regional distribution is significant for monthly rentals also, ranging from a low of 5% on Vancouver Island to a high of 15% in the Southern Interior. Work crews form another component of non-tourist business averaging 8%, but ranging between 4% and 16%, depending on the region.

Two very small markets for the motel sector are packaged tours and the meetings market, averaging just 2% and 1% respectively. Considering the average size of the motels surveyed was 33 units, capacity would not be the limiting factor in tour business. Similarly, size of the properties and number of motels with meeting rooms (30%) would not be restricting the meetings market to this very low proportion.

EXHIBIT 5-3

MARKET SEGMENTS

MARKET SEGMENTS	REGIONS				
	Vancouver Island	Southwestern B.C.	Southern Interior	Central Interior	Total
Independent Pleasure	76%	57%	56%	49%	59%
Package Tours	1	1	2	3	2
Commercial Business	13	22	15	16	16
Meetings/Conferences	1	1	1	2	1
Crews	4	6	4	16	8
Monthly Rentals	5	11	15	8	10
Other	0	2	7	6	4
Total	100%	100%	100%	100%	100%

MARKET SEGMENTS BY REGION

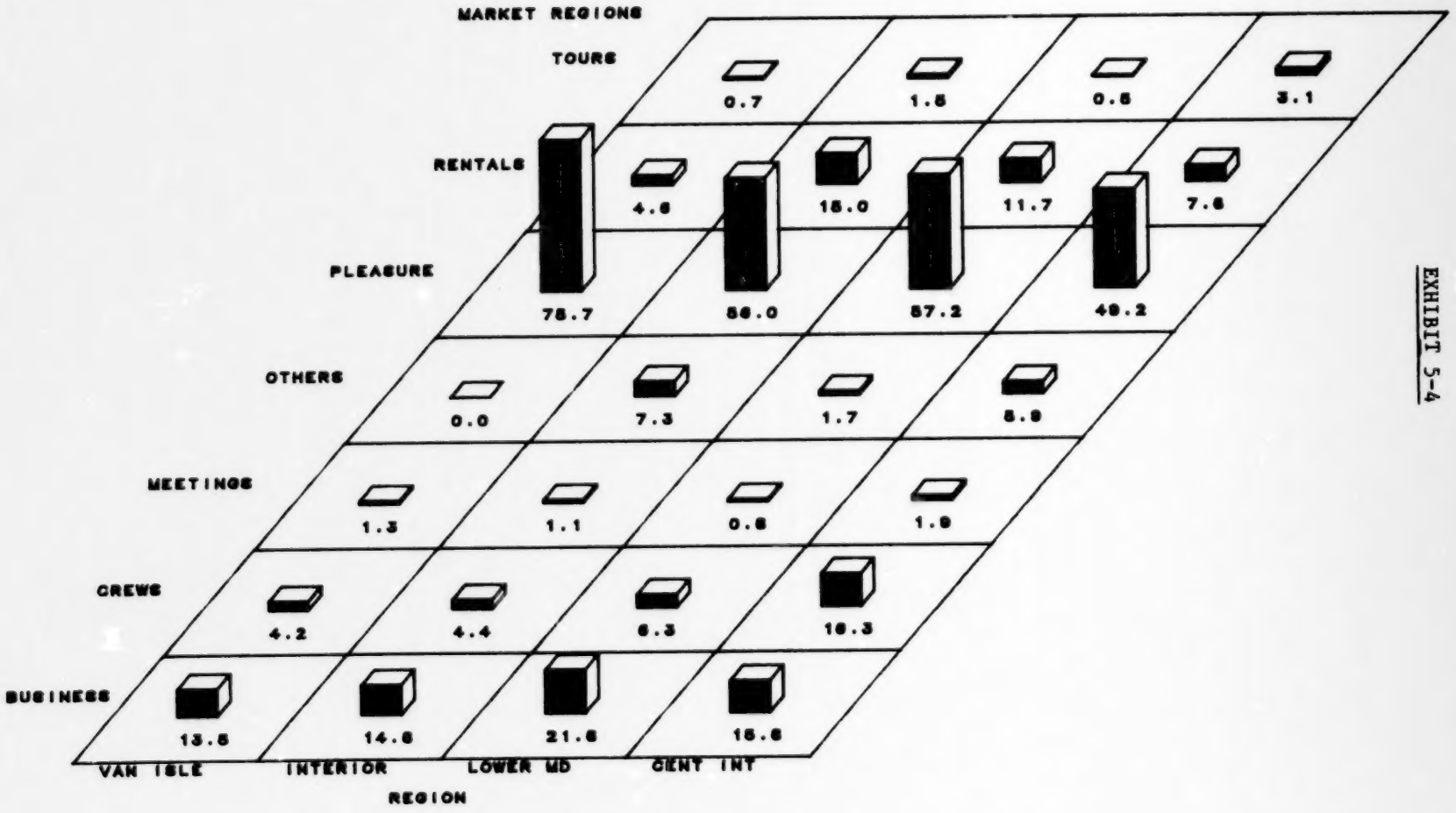

EXHIBIT 5-4

5.3 MARKETING PLANS

When asked whether or not a marketing plan was produced for their motel, almost two-thirds (64%) of motel operators said "no". There was a wide variety of regional response with 33% not producing a marketing plan on Vancouver Island while over 80% of motels in the Southern Interior and Lower Mainland Regions did not produce marketing plans.

Whether or not a motel operator produces a marketing plan had little to do with the size of the establishment as larger properties were as delinquent as smaller motels. Of those that do produce a marketing plan, three-quarters do so annually and the remaining one-quarter update it twice a year.

When asked about marketing budgets, the average amount spent annually was $5,780. Consequently, B.C.'s 736 motels spend about $4.25 million on marketing annually. In terms of percentage of gross sales, marketing averages about 3%.

The items included in the marketing budgets cover a range of elements. The following list depicts the proportion of motel operators allocating money to various marketing activities.

- Brochures 70%
- Media Advertisements 45%
- Travel 30%
- Salaries 5%
- Other 30%
  - Direct Mail
  - Promotion
  - Travel Agents

Survey respondents were also asked how their marketing program had changed over the past five years. This question was designed to monitor how the marketing approach changed in response to travel trends changes. Based on the responses, a number of marketing changes occurred.

In terms of market areas, 50% of motel operators changed their marketing program to put more emphasis on different areas. The areas receiving the most attention were B.C., Washington State and Alberta.

Regarding market segments, about 40% of moteliers altered their marketing focus towards different segments. The changes, in order of priority, included more emphasis on tour groups, independent tourists, commercial traffic and the meetings market.

The different forms of advertising media utilized by moteliers also changed over the past five years with over 40% indicating their media placement proportions had altered. The biggest switch was to magazines, followed by trade shows, promotional literature and newspapers.

Over 50% of motels indicated a change in the amount of money they devote to marketing and virtually all indicated increases in expenditures.

5.4 CONCLUSIONS

- British Columbia residents form the largest market for motels, averaging 55% and ranging from 45% in the Lower Mainland to 64% on Vancouver Island. The second largest market area is Alberta at 19% followed by Other Canadians (10%) and residents of the Pacific North West (9%).

- The largest market segment for the B.C. motel industry is the independent pleasure traveller or tourist averaging 59%, and ranging from 49% in the Central Interior to 76% on Vancouver Island. Room rentals to commercial travellers is the second largest market, averaging 16% and ranging between 13% on Vancouver Island to 22% in the Lower Mainland.

- Monthly rentals comprise 10% of the average number of rooms rented, with a higher proportion in the Southern Interior (15%) and lower on Vancouver Island (5%). Conspicuous by their low market share are rentals for package tours and meetings/conferences at 2% and 1% respectively.

- Only one-third of motel operators produce a marketing plan while virtually all motels have a marketing budget. The average motel marketing budget is just over $5,700 per year, equalling approximately 3% of annual gross revenue.

- Brochures continue to be the largest marketing technique with 70% indicating that they produce brochures. Marketing emphasis has also changed with increased attention being paid to the close-in markets of B.C., Washington and Alberta.

6.0 FINANCIAL

A major objective of the survey of motels conducted as a part of this study was to determine the financial status of the motel industry. To answer this question, motel operators were asked a series of questions concerning revenues and expenses. Further information was also requested on financial ratios. This chapter deals with the financial aspects of motel operation, utilizing analysed survey responses augmented by Statistics Canada information.

6.1 REVENUE

Due to the wide variety of motel sizes and the kinds of related facilities, there is an equally wide range in annual revenues. Our sample of 36 reporting properties produced a range of annual revenues from $43,000 to $725,000. The average annual revenue was $236,818 (from all sources). The breakdown of revenue by source was as follows:

- rooms	91%
- food and beverage	6%
- other	3%

Based on this average, the total revenue generated by the motel sector is nearly $175 million ($236,818 x 736 = $174,298.00). To verify this number a cross-check was made to the revenues reported by Statistics Canada in their Traveller Accommodation Statistics report. The total revenue reported for 1984 (the latest year available) for the classifications of "motels" and "tourist cabins" was $125.6 million.

This discrepancy of nearly $50 million would seem to be accounted for partially by the different years (1984 and 1986), but mainly by the definitional difference. The definitions outlined in the Introduction are broadened somewhat by the actual membership of B.C. Motels, Resorts Association. The roster includes not only motels, but motor inns, lodges and resort motels. Consequently, this broader category has included some properties that Statistics Canada might classify as either hotels or resorts. Our main criteria for inclusion in the sample were whether the property was representative of the "motel" sector in B.C. and if the operators were members of the B.C. Motels, Resorts Association.

The revenue reported above is an arithmetic average from the reporting properties. It tends to be skewed towards the larger properties with higher revenues. A more accurate reflection of revenue generated by a "typical" motel is perhaps closer to $150,000 as indicated by the most frequently reported revenue (mode).

Another measure of revenue which eliminates the effect of motel size is revenue per room. The average revenue per room based on total revenues, is $7,924. Adjusted to reflect only room-revenue (subtracting food, beverage and other non-room revenues), the average revenue per room is just over $7,200. (Exhibit 6-1 shows the total revenue and revenue-per-room by region.)

Net income is subject to the same variations based on property size and the number of different revenue sources. In fact, net income is affected more than gross revenues (total sales) and operating overhead. (Net income is defined as the "gross income" or "income before fixed charges" less insurance, property taxes, interest expense and depreciation.)

The average reported net income was $60,027 per year. Caution is advised in interpreting this number as typical of the motel sector as the extremes ranged from negative net income to $350,000. Because of the wide range in net incomes, the average figure is not particularly valid. More meaningful are the median or "mid-point" (one-half of moteliers reported higher net incomes and one-half lower) and the mode or "most frequently reported" net income. The median net income was $40,000 while the most frequently reported net income was "zero." If this sample is representative then, a few properties are doing reasonably well, about one-half are netting a small income, and the remainder are making little or no net income.

EXHIBIT 6-1

AVERAGE MOTEL REVENUES BY REGION

DESCRIPTION	Vancouver Island	Southwestern B.C.	Southern Interior	Central Interior	B.C. Total
Total Revenue	$219,625	$227,638	$164,333	$323,824	$236,818
Revenue per Room	8,654	6,155	5,620	10,548	7,924
Net Income (Average)	91,891	20,460	54,108	62,415	60,027
(Median)	40,000	18,420	39,000	52,900	40,000
(Mode)	$ 40,000	$ 0	$ 7,500	$ 0	$ 0

Statistics Canada provides a comparable source of information depicting the trend in revenue growth. Although definitional differences effect the actual revenue totals, the receipts tallied in Exhibit 6-2 show the trend in motel performance from 1969 to 1984.

EXHIBIT 6-2

MOTEL REVENUES, 1969 - 1984

YEAR	REVENUE $('000)	GROWTH (Current $)
1969	26,989	
1970	30,818	14.2%
1971	N.A.	N.A.
1972	39,889	29.4%
1973	43,439	8.9%
1974	51,950	19.6%
1975	N.A.	N.A.
1976	64,826	24.8%
1977	68,978	6.4%
1978	77,588	12.5%
1979	93,581	20.6%
1980	106,265	13.6%
1981	120,498	13.4%
1982	114,995	(4.6%)
1983	123,382	7.3%
1984	112,690	(8.7%)

6.2 OPERATING EXPENSES

Operating expense ratios indicating the percentage of gross revenues allocated to specific items, are critical financial norms. Attempts at collecting this information had been marginally successful in the past through the B.C. Motels, Resorts Association internal surveys and the B.C. Norms Manual. The motel survey results reported here are based on the records of 34 motels located around the province. This sample is small, but is expected to be reasonably representative.

On average, the biggest operating expense items are wages and salaries at 18.4% and interest expense at 17.8%. The payroll expense as a portion of estimated total revenue equals $32.0 million. (This is within 12% of the $36.2 million calculated on the basis of wages per room.) Interest expenses amounted to an estimated $31.0 million paid out to financial institutions as payment on debt financing.

Utilities are the next largest expense item at 10.3% for heat, light, power amd water. Repairs and maintenance, and property taxes represent approximately 7.0% of gross revenue each. This results in a total of $12.2 million, primarily spent with local companies supplying goods and services for repair and maintenance. A similar amount was levied by municipal or regional governments as property taxes. (See Exhibit 6-3 for the regional breakdown.)

EXHIBIT 6-3

OPERATING EXPENSES AS A PERCENTAGE OF REVENUE

EXPENSE ITEMS	Vancouver Island	Southwestern B.C.	Southern Interior	Central Interior	B.C. Total
Wages and Salaries	20.1	26.7	12.8	20.3	18.4
Advertising/Promotion	3.4	2.7	6.7	2.1	3.8
Repairs/Maintenance	4.3	5.0	8.9	7.7	7.0
Insurance	1.4	1.7	3.9	2.2	2.6
Utilities	8.0	12.3	11.8	9.8	10.3
Property Taxes	5.6	10.7	7.2	6.7	7.0
Accounting/Legal	1.3	2.7	2.6	1.7	2.0
Licences/Dues	0.6	0.7	1.5	0.8	1.0
Laundry	1.2	1.3	2.5	2.3	2.0
Interest	17.1	18.7	20.0	16.1	17.8

To provide a historical comparison, Exhibit 6-4 tabulates the expense ratios typical of motels in the U.S. Mountain and Pacific States 40 years ago (1947). It is unknown how representative these figures are of the B.C. situation, but some are remarkably similar to the 1986 provincial statistics.

EXHIBIT 6-4

HISTORIC MOTEL EXPENSE RATIO COMPARISONS

EXPENSES	1947 WESTERN U.S.	1986 B.C.
Wages and Salaries	15.9%	18.4%
Interest	4.6	17.8
Utilities	5.6	10.3
Repairs and Maintenance	7.0	7.0
Property Taxes	2.7	7.0
Advertising and Promotion	2.2	3.8
Insurance	2.3	2.6
Laundry	4.8	2.0

6.3 FINANCIAL RATIOS

Respondents to the motel survey were asked to report their information on a series of financial ratios. The ratios being tabulated were:

- Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
- Debt-Equity Ratio = $\frac{\text{Long Term Liabilities}}{\text{Owner's Equity}}$
- Return on Owner's Equity = $\frac{\text{Net Income}}{\text{Owner's Equity}}$
- Profit Margin = $\frac{\text{Net Income}}{\text{Total Revenue}}$

The reader is cautioned that due to the confidential nature of this information, the response rate ranged between 25% and 50% of the completed questionnaires. Furthermore some responses could not be used as they did not appear correct and could not be verified. However, the average responses are reported for information purposes with the recommendation that they be treated with the utmost caution. (See Exhibit 6-5.)

EXHIBIT 6-5

FINANCIAL RATIOS

DESCRIPTION	FORMULA	RATIO	SAMPLE	EXPLANATION
Current Ratio	Current Assets / Current Liabilities	1:0.89	16	For every $1 in current assets the motel industry owes $.89 in current debts.
Debt-Equity	Long Term Liabilities / Owner's Equity	1:0.63	10	For every $1 in long term debt the motel industry has $.63 in owner's equity.
Return on Owner's Equity	Net Income / Owner's Equity	26%	14	Net return on owner's equity.
Profit Margin	Net Income / Total Revenue	27%	16	Net income earned as a percentage of total sales.

6.4 CONCLUSIONS

- Average total revenue of British Columbia's motels is approximately $237,000. The regional averages range from a low of $164,000 in the Southern Interior to $324,000 in the Central Interior. Revenue per room averages just under $8,000 ranging from $5,600 in the Southern Interior to $10,500 in the Central Interior.

- Average net income for all motels in the sample is $60,000. This "average" figure should be interpreted with extreme caution. Athough it does represent the arithmetic average of the sample motels, the range was from zero to $350,000. A more accurate reflection of typical net income is the median or midpoint score and the mode or most frequently reported score. The reported median was a net income of $40,000 while the most frequently reported net income was zero.

- In terms of expense items, wages and salaries consume the largest portion of revenue at 18.4%. Interest on borrowed money is the second largest expense item, averaging 17.8% of gross revenues. Repairs and maintenance averages 7% as do property taxes.

- Projected to the total number of motels in the province, payroll costs result in $32 million being paid to motel employees. A similar amount, or $31 million is collected by banks, other financial institutions and private lenders as interest on debt payments.

- A small sample of respondents reported financial ratios as follows:

- Current Ratio	1:0.89
- Debt-Equity Ratio	1:0.63
- Return on Owner's Equity	26%
- Profit Margin	27%

Due to the nature of the sample survey process, it is likely that the more profitable operators responded to the survey and reported their financial ratios. Caution is advised in attributing these to the entire industry.

7.0 ECONOMIC IMPACT

One of the objectives of this analysis is to determine the impacts of the motel industry on the B.C. economy. Even though the industry has existed for decades, very little information is available which defines its magnitude, scope or linkages with other sectors of the economy. Little information also exists on the numbers of people employed, and the resulting payroll.

7.1 EMPLOYMENT

The sample survey asked respondents to indicate the number of people employed full-time, part-time and seasonally as well as the number of hours worked per week. The average number of employees per motel based on the survey response is 3.9 persons full-time.* The average number of hours worked per week is 47 hours.

Based on the average number of employees, the total number of people employed full-time in B.C.'s motel industry is estimated to be 2,870 persons. This figure correlates closely with the 2,802 figure reported by Statistics Canada in Traveller Accommodation Statistics for 1984. The minor discrepancy is partially accounted for by definitional differences. The 2,870 number is based on the number of registered motels in B.C. which is perhaps 90% of the total. The Statistics Canada figure is based on motels and tourist cabins having a minimum number of rooms (3). Consequently, both figures are considered to be conservative.

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*The survey indicated an average employment of 4.9 persons per motel. This figure was highly skewed by two properties which combined for 53 employees. Both properties had full food and beverage facilities and most employees were attached to this department. For continuity, these two properties were dropped from the employment analysis.

Survey respondents were also asked about part-time employment. Again, due to the size of average or typical motels, the majority (nearly two-thirds) hire only one or two persons on a part-time basis. Fourteen percent hire three or four persons and seventeen percent of motels hire between five and eight persons. The average number of part-time employees per motel is 2.6 persons and the average number of hours worked is 19.

The total number of persons employed part-time in the motel sector was 1,914, based on the sample survey. The total part-time employment as registered by Statistics Canada is 1,533 for the latest year of record (1984) Again, the discrepancy is partially definitional and partially the difference in the year of reference, i.e. 1984 for Statistics Canada and 1986 for the motel survey. (See Exhibit 7-1.)

EXHIBIT 7-1

FULL-TIME AND PART-TIME MOTEL EMPLOYMENT

FULL-TIME

NUMBER OF EMPLOYEES	Vancouver Island	Lower Mainland	Southern Interior	Central Interior	Total
			(percent)		
1 - 2	46%	58%	29%	46%	46%
3 - 4	9	25	14	23	19
5 - 8	27	17	57	-	21
9+	18	-	-	31	14
Total	26%	28%	16%	30%	100%

PART-TIME

1 - 2	54%	57%	92%	50%	64%
3 - 4	18	29	-	17	14
5 - 8	18	14	8	25	17
9+	9	-	-	8	5
Total	26%	29%	17%	28%	100%

Seasonally, motels hire additional employees for both full-time (more than 30 hours per week) and part-time work (less than 30 hours per week). In the spring season (April and May) 60% of motels hire no seasonal staff while one-third (34%) hire one or two people.

All but 13% of motels hire additional staff in the summer (June to August). One-half hire one or two people while one-third hire between three and six additional staff. By the fall (September and October), three quarters of motels have released their seasonal staff. About 15% retain one or two persons.

During the winter (November to March) nearly 90% of motels do not hire seasonal staff. Those that do, hire only one or two persons.

EXHIBIT 7-2

SEASONAL EMPLOYMENT

NUMBER OF EMPLOYEES	SPRING	SUMMER	FALL	WINTER
		(percent)		
0	59%	14%	75%	89%
1	18	16	9	5
2	16	34	7	5
3 - 5	5	21	5	0
6 - 10	2	14	4	1
10+	0	1	0	0
	100%	100%	100%	100%

The average number of employees hired seasonally by the "average" motel is 4.5 persons. As mentioned, the bulk of this hiring is done in the summer, although seasonal employees are hired at all times of the year. Based on the average number of seasonal employees per motel, a total of just over 3,300 seasonal jobs are created by the motel industry (736 x 4.5 = 3,312).

7.2 PAYROLL

Motel payrolls for salaries, wages and benefits showed a tremendous range based on the sample survey ranging from $3,000 to $195,000 annually. The average payroll is about $68,500 per year for each motel. The median or typical payroll is about $58,000.

Because these ranges are so extreme, the average figure is not particularly representative of a "typical" motel. Consequently, total provincial payroll has been calculated using payroll per unit ($2,066 per unit). Multiplying this by the number of units in the province results in a total motel industry payroll of $36.2 million. This is within the survey error range of the $32 million reported in Section 6.2, calculated using the salary and wages expense as a percentage of gross revenue.

EXHIBIT 7-3

AVERAGE PAYROLL BY REGION

	Vancouver Island	Southwestern B.C.	Southern Interior	Central Interior	B.C. Total
Average Total Payroll	$61,500	$76,200	$49,500	$83,000	$68,500

7.3 ECONOMIC LINKAGES

What impact does spending in the motel sector have on the rest of the provincial economy? To answer this question the survey data produced for this report was entered into the B.C. Input-Output Model. The model traces linkages within other sectors of the economy through direct and spin-off impacts.

The model records the receipt of $1 million of motel revenue and measures the total output and employment created by this initial motel industry revenue. Total Output is the initial injection of $1 million which is used to drive the simulation model. Employment figures record the total person-years of employment created, including part-time and seasonal employment generated by the $1 million.

In addition to these two measures of economic impact, the model produces estimates of direct, indirect and induced effects. Direct Impacts are those relating solely to the motel sector (or as recorded here, the Personal Services Sector) caused by the initial $1 million in motel receipts. Indirect Impacts are those generated in other sectors of the economy which supply materials or other inputs. Induced Impacts are those generated by higher consumer spending as a result of income received as wages.

In terms of economic output, the direct spending of $1 million produces a spin-off benefit totaling another $816,000. In other words, the initial spending of $1 million created a total economic impact of $1,816 million. The spin-off effects are felt within all sectors of the economy with the biggest beneficiaries being the "Other Manufacturing", "Other Services" and Utility sectors. The indirect spin-off effects total $455,000 and the induced effects $361,000.

One million dollars of motel receipts produces 45.1 jobs including full-time, part-time and seasonal jobs. Total jobs created by the $1 million dollars of motel sales are 56.3, including 5.6 indirect jobs and 5.6 induced jobs. Using the total motel revenue of $175 million, results in a total of 7,800 jobs created in the motel sector. This figure is within 3% to the total full-time, part-time and seasonal jobs outlined in Section 7.1 (2,870 + 1,914 + 3,312 = 8,096).

EXHIBIT 7.4

ECONOMIC IMPACTS OF THE B.C. MOTEL INDUSTRY
(1986 Prices)

OUTPUT IMPACTS ($ thousands)	DIRECT	INDIRECT	INDUCED	TOTAL
Agriculture	0	5	9	14
Forestry	0	2	2	4
Fishing, Hunting and Trapping	0	1	1	2
Mining	0	16	4	20
Food and Beverages	0	19	29	48
Other Manufacturing	0	105	37	142
Construction	0	51	10	61
Transportation, Storage and Communication	0	35	32	67
Elec. Power, Gas, Other Utilities	0	57	11	68
Wholesale and Retail Trade	0	12	54	66
Personal Services	1,000	18	52	1,070
Other Services	0	134	119	253
TOTAL	1,000	455	360	1,815

EMPLOYMENT IMPACTS (total jobs)				
Agriculture	0.000	0.136	0.231	0.367
Forestry	0.000	0.017	0.018	0.035
Fishing, Hunting and Trapping	0.000	0.020	0.016	0.036
Mining	0.000	0.037	0.011	0.048
Food and Beverages	0.000	0.123	0.201	0.324
Other Manufacturing	0.000	0.379	0.340	0.719
Construction	0.000	0.547	0.111	0.658
Transportation, Storage and Communication	0.000	0.717	0.580	1.297
Elec. Power, Gas, Other Utilities	0.000	0.636	0.122	0.758
Wholesale and Retail Trade	0.000	0.276	1.522	1.798
Personal Services	45.126	0.567	1.595	47.288
Other Services	0.000	2.137	0.892	3.029
TOTAL	45.126	5.592	5.639	56.357

To trace linkages through the B.C. economy of the initial $1 million in motel receipts, cost structures were prepared by sector. They reflect the revenue generated by other sectors to produce the million dollars of motel revenue. This includes everything from the purchase of food for the restaurant, cleaning products, repairs, power, etc.. The distribution is tabulated in Exhibit 7-5.

EXHIBIT 7-5

ECONOMIC LINKAGES OF THE MOTEL INDUSTRY

Other Agricultural Products	$	2,516.32
Fishing and Trapping Products		278.73
Minerals and Fuels		338.16
Non Metallic Minerals		29.57
Meat, Fish and Dairy Products		23,692.49
Fruit, Vegetables, Feed, Misc. Food Products		7,359.92
Beverages		822.25
Rubber, Leather, Plastic Fav. Products		152.11
Textile Products		1,235.86
Knitted Products and Clothing		119.26
Furniture and Fixtures		58.23
Paper and Paper Products		2,210.12
Metal Fabricated Products		26.98
Machinery and Equipment		6.27
Non-Metallic Mineral Products		277.73
Petroleum and Coal Products		74,630.71
Chemicals, Chemical Products		60.62
Miscellaneous Manufactured Products		152.90
Repair Construction		45,485.16
Transportation and Storage		602.25
Communication Services		21,595.49
Other Utilities		56,803.33
Wholesale Margins		2,668.03
Retail Margins		287.09
Other Finance, Insurance, Real Estate		49,339.94
Business Services		20,200.93
Personal and Other Miscellaneous Service		24,520.51
Transportation Margins		980.92
Operating, Office, Lab and Food		30,919.14
Travel, Advertising, Promotion		5,468.31
Non-Competing Imports		405.05
Net Indirect Taxes		60,268.96
Labour Income		250,705.20
Net Income Uninc. Business		68,448.03
Other Operating Surplus		247,333.43
TOTAL		$1,000,000.00

7.4 CONCLUSIONS

- The average number of persons hired full-time by the average motel is 3.9 with a work week averaging 47 hours. Total estimated motel full-time employment including proprietors, family workers and paid staff is 2,870.

- The average number of part-time employees hired per motel is 2.6, averaging 19 hours per week. The total number of persons employed part-time in the industry is 1,914.

- The average number of seasonal employees hired per motel is 4.5 resulting in a provincial total of 3,312 seasonal jobs.

- The average payroll per motel is about $68,500, while the typical or median amount is just over $58,000.

- The total economic activity created by spending in the motel sector is estimated at 1.8 times the initial motel revenues.
- One million dollars of motel receipts generates $455 thousand in indirect impacts and $361 thousand in induced impacts. Total economic activity created by the motel sector is $315 million ($175 x 1.8).

- Each one million dollars of revenue generated by the motel sector creates 45.1 jobs, including full-time, part-time and seasonal. Indirect and induced jobs add another 11.2 employees for a total employment creation of 56.3 per one million dollars of motel revenue. Total jobs created in the motel sector equals approximately 8,100.

8.0 OPERATOR OPINIONS

To augment the statistics and numerical information derived from secondary sources and the motel survey, operators were asked their opinions on a number of issues confronting the motel industry.

This section of the motel survey was divided into two parts. The first was an open-ended question, dealing with top-of-mind concerns and the second was a ranking of specific issues.

8.1 OPERATOR CONCERNS

Motel operators were asked to indicate what they feel are the three greatest problems facing the motel industry. Operators were asked to answer the question as it applies to their motel and to the motel industry.

The responses were similar in many instances and very different in others, however, topping both lists were concerns about property taxes. Moteliers mentioned nearly 20 other concerns involving their own motel and those receiving five or more mentions as priority issues were:

- short season
- effects of the Coquihalla Highway
- price wars among competing motels
- availability of financing
- promotion.

Operators listed almost as many concerns that confront the motel industry generally. The list of issues that these same individuals raised about the motel industry were:

- operating costs
- the short season
- availability of financing
- promotion
- high interest rates
- effects of the recession.

Exhibit 8-1 lists the complete range of responses in order of priority.

EXHIBIT 8-1

OPERATOR CONCERNS

	PRIORITY			
YOUR MOTEL	1	2	3	TOTAL
Property taxes	7	7	1	15
Short season	5	-	1	6
Coquihalla Highway	5	-	-	5
Rate wars	4	-	2	6
Getting financing	3	1	1	5
Operating costs	3	-	-	3
Promotion	2	7	1	10
Highway signage policies	2	-	-	2
Outdated facilities	-	3	2	5
Bed and Breakfast homes	-	-	2	2
Obtaining trained staff	-	3	1	4
Labour attitude	-	-	1	1
Oversupply of accommodation	1	1	1	3
Attracting commercial traffic	1	-	-	1
Interest rates	1	1	1	3
Roads/highways	1	1	-	2
Fuel prices	-	1	1	2
Ferry prices	-	-	1	1
Sales tax	-	2	1	3
THE MOTEL INDUSTRY				
Property taxes	10	5	2	17
Operating costs	5	3	1	9
Short season	4	1	1	6
Getting financing	3	1	1	5
Promotion	3	5	-	8
High interest rates	2	1	2	5
Economic times	2	2	2	6
Rate wars	2	-	-	2
Fuel prices	2	-	2	4
Highway signage policies	1	2	-	3
Lack of cooperation	1	1	-	2
Room tax	-	-	2	2
Ferry prices	-	-	1	1
Outdated facilities	-	1	2	3
Bed and Breakfast homes	-	2	2	4
Lack of trained staff	-	-	3	3
Low standards	-	2	-	2
Competition from south of border	-	1	-	1

Note: Numbers indicate the number of responses for each category.

8.2 OPERATOR ISSUE RANKING

Operators were also asked to rank their perception of the importance of a series of issues or problems confronting the motel industry. These 25 issues were grouped into categories of markets/marketing, development, financial, and operations.

The ranking was out of five with 5 indicating a very significant problem or issue and 1 being an issue of no importance. The motelier was instructed to circle the number that best indicated his/her degree of agreement with the significance of each issue for their motel.

Average score ranged from 2.4 for "competition from hotels" indicating that moteliers do not consider this a problem, to 4.0 for municipal and provincial taxes indicating that these are significant problems or concerns.

In terms of general categories the ranking of concerns are as follows:

- financial	3.6
- operations	3.2
- marketing	3.1
- development	3.0

The single most important concern is about property taxes. This issue is of universal concern to the motel industry because it effects all motels and it is an escalating cost over which motels have little or no control. Although property taxes are a concern to most small businesses, they tend to be particularly harsh on motels because of the sizeable buildings and desirable property on which taxes are based.

Not only is there a wide discrepancy in operator opinions of the various issues, but among the four regions. Exhibit 8-2 depicts the average rankings by issue and by region.

EXHIBIT 8-2

OPERATOR ISSUE RANKING

	Vancouver Island	Southern Interior	Lower Mainland	Central Interior	Total	Average
MARKETS						
Competition	2.8	4.0	3.3	3.5	3.4	
Price Conscious	3.4	3.7	2.5	4.2	3.6	
Fewer Tours	2.8	4.6	4.2	3.6	3.7	
Fewer Commercial	2.1	3.5	3.7	3.2	2.0	3.1
Hotel Competition	2.0	2.8	2.2	2.4	2.4	
Bed and Breakfast	2.7	1.5	2.7	1.5	2.0	
Marketing Costs	4.1	3.0	3.0	3.0	3.3	
DEVELOPMENT						
Construction Cost	3.6	4.4	3.8	3.6	3.8	
Outdated Facilities	3.4	2.6	2.2	2.5	2.7	
Recreational Facilities	2.6	3.2	3.4	2.5	2.8	3.0
Food and Beverage	2.8	2.6	2.4	2.4	2.6	
FINANCIAL						
Interest	3.9	3.3	3.5	4.0	3.7	
Debt Financing	3.8	3.1	3.2	3.5	3.4	
Capital	3.7	2.7	3.2	3.3	3.2	
Investment Income	3.8	4.1	3.6	3.8	3.9	3.6
Municipal Taxes	4.1	3.8	4.3	4.1	4.0	
Provincial Taxes	3.7	4.1	3.8	4.2	4.0	
Federal Taxes	3.5	3.9	3.8	4.2	3.9	
Staff Costs	2.8	3.1	2.6	2.9	2.9	
OPERATIONS						
Trained Staff	3.0	3.1	2.4	3.2	3.0	
Staff Skills	2.7	2.8	2.2	3.2	2.8	
Seasonality	4.1	3.7	3.6	3.6	3.8	3.2
Insurance Rates	3.6	3.8	4.0	3.8	3.7	
Signage	3.3	3.9	3.4	2.6	3.2	
Supply and Services	2.5	2.4	1.8	2.6	2.4	

9.0 ISSUES AND RECOMMENDATIONS

The preceding chapters have dealt with a series of wide ranging issues from motel evolution and facility development to financial analysis and economic impact. This review of the current status of the motel sector has led to a number of conclusions which have been reported at the end of each chapter. Several of our findings are reported for the reader's information and no action is required or necessary.

Several other findings, however, have identified issues which require attention. This report has produced thirty-one separate recommendations on eleven different topics. Many of these recommendations are minor and require little effort to implement. Several others are significant and will require a concerted effort by individual motel operators; the B.C. Motels, Resorts Association; and by governments to put them into practice.

We have categorized these issues and recorded them with our observations and recommendations in Exhibit 9-1. It is noted that the recommendations have arisen from our observation of industry requirements, based on the various research techniques applied in this analysis. The intent of this project has been to review the industry's evolution and current status, while making recommendations for future action.

To further the implementation of these recommendations, we have prepared a course of action. This is designed to set out a procedure by which implementation of the recommendation can proceed.

EXHIBIT 9-1

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATION	RECOMMENDATION	ACTION
MARKETING PLANS		
- Two-thirds of motel operators don't produce marketing plans ... Virtually all moteliers have a marketing budget, but this often includes only brochure production ... Effective marketing is a critical component of any small business activity.	1. Every motelier should prepare an annual marketing plan and review it at least semi-annually. The marketing plan need not be complex, but should address problems, opportunities, an overall strategy and marketing tactics. A few pages of well thought out analysis should suffice.	- Motels, Resorts Association (BCMRA) to encourage the preparation of marketing plans among members. - BCMRA to initiate a regular column in the Dogwood Newsletter providing information, proposing hints and outlining market research information. - BCMRA to stage a marketing planning workshop at the associations annual general meeting.
- The travel trade should be an ally in marketing motels, but few motels pay travel agent commissions.	2. Motels should provide a travel agent commissions.	- BCMRA to encourage all members to provide a travel agent commissions ... Commissions typically amount to 10% of room rate.
- Purchasing a listing in the B.C. Accommodation Directory is the single most cost-effective marketing technuique.	3. Ensure registration of all motels in the B.C. Accommodation Directory.	- Each motel to complete the annual registration form and submit with registration fee.
- Cooperative marketing, by sharing the costs with other suppliers to travel services is an effective marketing technique.	4. Utilize the Partners in Tourism Program with other local tourism industry facilities to the best extent possible. Use more "cooperative" advertisements to reduce marketing costs.	- Individual motels to work with the regional tourism associations to put together Partners in Tourism marketing programs.
- Generally, motel operators have not had much exposure to or experience with market research or market planning.	5. Develop a motel marketing "how-to" manual, outlining marketing problems, opportunities, objectives, strategies and budgeting.	- BCMRA to review existing marketing manuals and produce a brief pamphlet-style tailored to the motel operator.

OBSERVATION	RECOMMENDATION	ACTION
MOTEL OPERATIONS		
- Only about one quarter (27%) of existing motel operators have taken any kind of management courses or training ... Lack of professionalism hurts the image of the industry ... Lack of management skills adversely affects motel profitability ... The existing courses on Motel Management and Tourism is Your Business available through the Open Learning Institute are not well utilized.	6. Encourage existing operators to upgrade their skills.	- BCMRA to expand the program of seminars, workshops and training sessions available at the Annual General Meeting.
	7. Encourage increased participation in the Open Learning Institute courses on Motel Management.	- BCMRA in cooperation with the Open Learning Institute to mount a promotional program to encourage increased motel operator participation.
	8. Encourage members to purchase relevant motel management publications from the Educational Institute of the American Hotel Association.	- BCMRA to produce a listing of the available publications for circulation to members and to acquire the relevant publications for the Association's Library.
	9. Encourage all new motel operators to take certified training before purchasing or managing a motel.	- BCMRA to encourage new operators to take recognized training in motel management.
OCCUPANCY RATES		
- Motel operators are interested in an on-going monthly monitor of performance ... 55% said they would participate and 27% said they would consider it.	10. Encourage participation in a regular, on-going system of collecting monthly motel occupancy figures.	- BCMRA to encourage members to participate in the Pannell, Kerr, Forster Motel Occupancy Monitor ... Coverage should be sufficient to generate regional information and to provide coverage of all sizes of properties.
	11. Confirm the status of room tax statistics being made available on a regional basis from the Ministry of Finance ... This information provides a complete census of results, but has never been accessible.	- BCMRA to request the Minister of Finance to make selected regional motel sales and occupancy figures available on a monthly basis.

OBSERVATION	RECOMMENDATION	ACTION
TRAVELLER SERVICES		
- An independent motel loses the benefit of group marketing, referrals, information exchange, etc. ... 75% of B.C. Motels are operated independently of any chain or referred service.	12. Without losing their independence motels should review the advantages of forming a "motel network" ... It could be run through the Motel Association ... It could provide group buying for advertising, offer tour discounts, pay agent's commission, etc.	- BCMRA to canvass its membership to determine level of interest in such a service. - BCMRA to review the existence of other comparable systems elsewhere in North America and review their success. - Pending positive response to the above, BCMRA to determine if it should be the coordinating or delivery agency and if so, proceed with start-up.
OWNERSHIP CHANGES		
- Motel industry has a high ownership turnover rate of about 7% annually ... This ownership turnover creates a lack of stability and continuity from the travellers' perspective ... New operators have to be trained.	13. Provide advice or a counselling service through the BCMRA to moteliers in financial difficulty ... Encourage new operators to acquire certified training through the Open Learning Institute, Motel Management Course.	- BCMRA to initiate a management audit or review system to be available to member motels on an as needed basis ... Review and recommendations to be conducted through ex-moteliers, FBDB Counselling Assistance to Small Enterprise (CASE) or hospitality industry specialists.
MARKET AREAS		
- B.C. gets 25% of its tourist business from the U.S.A. while the motel sector average is less than one-half this amount at 14%.	14. Review the needs of American travellers in B.C. and match with the motel product.	- BCMRA and individual motels to access survey information on the American market from the U.S. Pleasure Traveller Market Study and Visitors '87 (when complete.) - Provide a match of U.S. traveller requirements with the B.C. motel product which can be incorporated into the marketing plans.

OBSERVATION	RECOMMENDATION	ACTION
MARKET AREAS (cont'd)		
- The proportion of Other Canadians is greater for the motel industry than is typical in the B.C. travel industry ... 30% for motels, and 26% for B.C. tourist industry.	15. Determine the preference differences between Americans and Canadians.	- BCMRA and individual motels to review Canadian market information from the Canadian Travel Survey and Visitors '87, compare with with U.S. traveller characteristics. - Determine the match of Canadian traveller requirements and the B.C. motel product and incorporate into marketing plans where appropriate.
- B.C. Residents form the largest market for the motel industry ... 55% for motel industry and 45% for B.C. travel industry.	16. Continue to maintain the strong penetration of the B.C. market.	- Motels to continue to service this travel sector, providing rooms for pleasure travellers, commercial travellers, crews and others.
MARKET SEGMENTS		
- Independent pleasure travellers are the main market for motels at 60%.	17. Continue offering a clean, convenient travel product for tourists.	- As recommended.
- Commercial business is the second largest market at 16%.	18. Improve service to the commercial sector by paying attention to their needs and providing the appropriate services.	- Individual motels to assess need which could include larger writing desks, earning "free" room after accumulating "points", pre-registration, wake-up calls, etc.
- Tours and group business are very low components of motel business, but the markets are growing.	19. Tap the growing group tour and group business market with more aggressive marketing and the packaging of the motels facilities with other facilities ... This opportunity is particularly viable for the larger properties.	- Utilize the results of the "motel network" review to determine applicability to the travel trade ... Individual motel operators to contact tour operators and promote their facilities.

OBSERVATION	RECOMMENDATION	ACTION
MARKET SEGMENTS (cont'd)		
- Readily available information on motel oriented market segments does not exist.	20. Produce motel oriented market research which provides characteristics of potential market areas and market segments.	- BCMRA to continue to monitor motel demand on an on-going basis through one of the techniques discussed under "Occupancy Rates."
	21. Review the opportunities for direct marketing to selected categories of travellers.	
MANAGEMENT		
- Motel operators must undertake many jobs themselves including front desk operation, accounting, marketing, maintenance, etc.	22. Encourage operators to become as skilled as possible in each of these activity areas or hire staff who are.	- As recommended.
ECONOMIC IMPACT		
- Prices charged by the motel sector have not risen appreciably since the early 1970's.	23. If market forces are keeping the average room rate down, attention should be paid to increasing the number of rooms rented.	- Individual motel marketing emphasis to be directed at improved occupancy.
- Motels have a significant economic impact within their communities and provincially.	24. Information on the economic benefits of the motel industry should be conveyed to municipal and provincial governments.	- BCMRA to circulate this report within local, regional and provincial governments to document the magnitude and significance of the motel industry.
- Motel revenues have spin-off impacts to a broad cross-section of economic sectors.	25. These linkages should be publicized to explain the economic impact of the motel industry.	- As above.

OBSERVATION	RECOMMENDATION	ACTION
PHYSICAL APPEARANCE		
- Motel selection decisions by travellers are often made spontaneously on the basis of visual appearance and amenities.	26. A clean, tidy, attractive and "welcoming" appearance is essential.	- Motel operators to ensure premises are kept up on a regular basis and are tidy on a daily basis.
- A comfortable, affordable, quiet stay is the key requirement of most travellers.	27. Ensure dependable hot water ... Provide good quality bedding and linens ... Keep the facility spotlessly clean ... Provide access to a restaurant facility ... Quality should be at least as good as the guest would expect at home.	- As recommended.
- There is a lack of "uniqueness" in the appearance of B.C. motels.	28. Utilize local themes to create some visual identity differences in motel appearance.	- Individual motels to revamp the outward appearance of motels to update the facility. - Take advantage of the Downtown Revitalization Program if one is in place for the community.
FINANCIAL		
- Comparing motel operating statistics among motels and the hotel industry is often difficult because different accounting techniques are used.	29. Encourage motel operators to use the Uniform System of Accounts for the Accommodation Industry.	- As recommended.
- Lack of statistics on industry averages on motel operation has made performance comparisons difficult.	30. Consider implementing an annual survey of motels to provide operations norms.	- As recommended in section on Occupancy Rates.
- Property taxes are a major expense item for motels ... The relative impact continues to increase as revenues stay stable and property taxes increase.	31. Explore the possibilities of extending the eligibility of the seasonal resort category to a broader segment of the motel industry under the B.C. Assessment Authority.	- BCMRA to review the issue within membership. propose a solution and make its case to Ministry of Municipal Affairs, Finance, and Tourism, Recreation

APPENDIX

APPENDIX A

THE MOTEL SURVEY

A major portion of the information used in this report was obtained through a sample survey of motel operators.

A sample survey was designed that represented the B.C. motel industry in terms of geographic distribution, size, amenities, and age. The selected sample included 134 motel and motor inn properties meeting the survey criteria.

The questionnaire was designed to produce information on a number of topics, including: facility description, operations, markets, development, management, employment, occupancy and financial information.

A letter of explanation from the Economic Planning Group, a letter of introduction from the B.C. Motels, Resorts Association, and a questionnaire was sent to each selected motel in February 1987. About three weeks later all the non respondents were contacted by telephone and asked if they would complete the survey form. The final response rate was 44 out of 134 or 33%.

The completed questionnaires were then edited for completeness and grouped into four geographic regions which were amalgamations of the provincial tourism regions. The regional groupings and the response rates are as follows:

REGIONS

Survey Regions	Tourism Regions	Responses	Percent
Vancouver Island	A	12	27
Southwestern B.C.	B	7	16
Southern Interior	C, D & I	12	27
Central/Northern Interior	E, F, G & H	13	30
		44	100%

BRITISH COLUMBIA MOTEL/MOTOR INN SURVEY

INTRODUCTION:

- Name of Motel/Motor Inn: _____
- Address: _____

_____

Owner's Name: _____

Manager's Name: _____

Name of Person Completing Questionnaire: _____

Date: _____

IMPORTANT!!

The information requested in the following questions is required by the B.C. Motels, Resorts Association to document the current status of the motel/motor-inn industry. Please note that your responses will be kept in the strictest confidence and will only be reported as regional summaries.

There is no other source for this information than from existing motel/motor-inn operators. We urge you to help by completing the form at your earliest convenience.

1.0 FACILITY DESCRIPTION: (Please fill in the blanks with the appropriate number)

- How many of the following does your motel/motor inn have?

1.1 Total number of units _____ 1.2 Units with kitchenettes _____

1.3 Restaurant Seats _____ 1.4 Lounge Seats _____

1.5 Number of Meeting Rooms _____ 1.6 Total Meeting Room Seating _____

2.0 OPERATIONS: (Please check the appropriate box and fill in the dates)

2.1 Owner/operator ☐ or Hired Manager ☐

2.2 Independent ☐ or Chain/Referral Service Affiliation ☐

2.3 Year Bought _____ 2.4 Year Built _____ (approximate if unknown)

3.0 MARKETS: (Please estimate the percentage of your motel's annual business which comes from the following categories. Please use your average breakdown over the last two or three years.)

3.1 Market Areas:

B.C. Residents	_____ %
Alberta	_____ %
Other Canada	_____ %
Pacific N.W.-USA	_____ %
Other USA	_____ %
Offshore	_____ %
	100%

3.2 Market Segments:

Independent Pleasure Travellers (Tourists)	_____ %
Packaged Tours (Bus Tours)	_____ %
Commercial Business (Salesman, gov't workers)	_____ %
Meetings/Conferences (Seminars, Workshops, etc.)	_____ %
Crews (Work crews)	_____ %
Monthly Rentals (Off-season rentals to non-tourists)	_____ %

4.0 MARKETING: (Please answer the question or check the box)

4.1 Do you prepare a marketing plan? Yes ☐ No ☐

4.2 If yes, how often? _____

4.3 What is your annual marketing budget? $_____

4.4 What is the annual marketing budget as a percentage of gross revenues? _____%

4.5 What is included in your marketing program?

Brochures _____ Media Ads _____ Salaries _____ Travel Shows _____

Other (describe) _____

4.6 How has your marketing program changed over past 5 years (since 1982)?

Market Areas: (i.e. more emphasis on U.S., less on B.C. etc.)

_____

Market Segments: (i.e. more emphasis on meetings, less on tour groups, etc.)

_____

Media: (i.e. more on magazines, less on T.V., etc.)

_____

Budgets: (i.e. increased by 20%, decreased by 10%, etc.)

_____

5.0 DEVELOPMENT:

5.1 Have you renovated or expanded your motel in the last five years? Yes ☐ No ☐
(This refers to improvements other than regular maintenance.)

5.2 If yes, please describe: _____

_____

5.3 Are you planning a renovation or expansion in the next two years (1987 or 1988)?

Yes ☐ No ☐

5.4 If yes, please describe: _____

_____

6.0 MANAGEMENT:

6.1 How long have you been in the tourist accommodation industry? _____ years

6.2 How did you acquire your motel management experience? (Please check)

- learned after purchase of this motel ☐
- previous experience in other motels/hotels ☐
- seminars or training courses (specify) _____ ☐
- other (specify) _____ ☐

7.0 EMPLOYMENT:

How many persons does your motel/motor-inn employ, including family members, if applicable? (Include rooms, food and beverage and other revenue sources.)

7.1 Year-round, full-time (30 hours or more per week) _____

7.2 Average hours per full-time employee per week _____

7.3 Year-round, part-time (less than 30 hours per week) _____

7.4 Average hours per part-time employee per week _____

7.5 How many additional seasonal employees do you hire?

Spring (April-May) _____

Summer (June-Aug.) _____

Fall (Sept.-Oct.) _____

Winter (Nov.-March) _____

What was your total payroll for 1986 (or the closest fiscal year)? (Include salaries, wages and benefits)

8.0 OPERATOR OPINIONS:

In your opinion, what are the three greatest problems facing the motel/motor-inn industry in British Columbia? (In order of most important to least important.)

8.1 Your motel

1. _____

_____

2. _____

_____

3. _____

_____

8.2 The motel industry

1. _____

_____

2. _____

_____

3. _____

_____

PERATOR RANKINGS: We are interested in your opinions. The following are several motel industry problems. Please indicate your degree of agreement with the significance of each issue for your motel. That is, how important or major is each problem. (Please circle the number that best matches your opinion.)

	Very Significant Problem	Significant Problem	Moderately Significant Problem	Not a Major Problem	Of no Importance
Markets/Marketing:					
· Competition from other motels	5	4	3	2	1
· Price conscious travellers	5	4	3	2	1
· Fewer tourists	5	4	3	2	1
· Fewer commercial travellers	5	4	3	2	1
· Competition from hotels	5	4	3	2	1
· Competition from B & B	5	4	3	2	1
· Marketing costs	5	4	3	2	1
· Other (specify) _____	5	4	3	2	1
Development:					
· Constructions Costs	5	4	3	2	1
· Outdated facilities	5	4	3	2	1
· Lack of recreation facilities	5	4	3	2	1
· Lack of food/beverage facilities	5	4	3	2	1
· Other (specify) _____	5	4	3	2	1
Financial:					
· High Interest Rates	5	4	3	2	1
· Availability of Debt Financing	5	4	3	2	1
· Availability of equity or venture capital	5	4	3	2	1
· Lack of Investment Incentives	5	4	3	2	1
Municipal Taxes	5	4	3	2	1
Provincial Taxes	5	4	3	2	1
Federal Taxes	5	4	3	2	1
Staff costs	5	4	3	2	1
Other (specify) _____	5	4	3	2	1
Operations:					
Availability of trained staff	5	4	3	2	1
Level of staff skills	5	4	3	2	1
Seasonality	5	4	3	2	1
Insurance rates	5	4	3	2	1
Signage	5	4	3	2	1
Access to supplies and services	5	4	3	2	1
Other (specify) _____	5	4	3	2	1

9.0 OCCUPANCY: (Please indicate your monthly occupancy for 1986. Occupancy relates to the number of rented rooms as a percentage of total rooms available per month)

9.1 Monthly Occupancy:

J _____%	A _____%	J _____%	O _____%
F _____%	M _____%	A _____%	N _____%
M _____%	J _____%	S _____%	D _____%
1st Q _____%	2nd Q _____%	3rd Q _____%	4th Q _____%

9.2 What were your annual occupancies for the last four years?

1986 _____%

1985 _____%

1984 _____%

1983 _____%

9.3 Would you be willing to participate in a future monthly occupancy monitor? (Please note: All information would be kept in the strictest confidence and published in regional summaries.)

Yes ☐ No ☐ Perhaps ☐

10.0 REVENUE:

10.1 What is your typical revenue breakdown, by source? (Use an average of the last two or three years, if easier)

Rooms	_____%
Food and Beverage	_____%
Other (specify) _____	_____%
	100%

10.2 What is your total annual revenue? (Again, use an average or typical year, if easier.)

$_____

10.3 What is your motel/motor-inn's average annual net income? (Net income is the gross income (income before fixed charges) less insurance, property taxes, interest expense and depreciation.)

$_____

11.0 OPERATING EXPENSES:

What is the breakdown of your motel/motor-inn's operating expenses as a percentage of your gross revenues? (Again, use an average or typical year, if easier.)

11.1	Wages and salaries (including benefits)	_____%
11.2	Advertising and promotion	_____%
11.3	Repair and Maintenance	_____%
11.4	Insurance	_____%
11.5	Utilities (Power, water, telephone)	_____%
11.6	Property Taxes	_____%
11.7	Accounting and legal	_____%
11.8	Licences and dues	_____%
11.9	Laundry	_____%
11.10	Interest charges	_____%

12.0 FINANCIAL RATIOS: (Last fiscal year available) The following information is best provided by your financial statements. Please note that we are not after confidential information, but are interested in the ratios.

Current Ratio	=	Current Assets / Current Liabilities	=
Debt - Equity Ratio	=	Total Long Term Liabilities / Total Owners Equity	=
Return on Owners Equity	=	Net Income / Owner's Equity	=
Profit Margin	=	Net Income / Total Revenue	=
Average Room Rate	=	Total Rooms Revenue / Total Rooms Rented	=
Revenue Per Room	=	Total Rooms Revenue / Number of Rooms	=

Thank you for your cooperation. Please return this form to:

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Economic Planning Group
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Brentwood Bay, B.C.
VOS 1AO

Telephone: 652-1714

For further information about the Canada-British Columbia Tourist Industry Development Subsidiary Agreement, contact:

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Additional copies of this publication are available from the British Columbia Motels, Resorts Association at a cost of $10.00.

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